



California Board of Accountancy
2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833

phone: (916) 263-3680 *fax:* (916) 263-3675 *web:* www.cba.ca.gov



**CALIFORNIA BOARD OF ACCOUNTANCY
PUBLIC MEETING NOTICE FOR THE CHAIR/VICE-CHAIR TRAINING,
LEGISLATIVE COMMITTEE, COMMITTEE ON PROFESSIONAL CONDUCT, AND
CALIFORNIA BOARD OF ACCOUNTANCY MEETINGS**

DATE:	Thursday, January 18, 2018	CHAIR/VICE-CHAIR TRAINING TIME: 9:00 a.m.
DATE:	Thursday, January 18, 2018	LEGISLATIVE COMMITTEE MEETING TIME: 10:30 a.m.
DATE:	Thursday, January 18, 2018	COMMITTEE ON PROFESSIONAL CONDUCT MEETING TIME: 10:45 a.m.
DATE:	Thursday, January 18, 2018	CALIFORNIA BOARD OF ACCOUNTANCY MEETING TIME: 11:00 a.m. to 5:00 p.m.

PLACE: California Board of Accountancy
2450 Venture Oaks Way
Suite 420
Sacramento, CA 95833
Telephone: (916) 263-3680

Enclosed for your information is a copy of the agendas for the Chair/Vice-Chair Training, Legislative Committee, Committee on Professional Conduct, and California Board of Accountancy meetings on January 18, 2018.

Committee and CBA meetings will commence at 9:00 a.m. or later. The order and/or start times of the committee meetings and the CBA meeting are subject to change without notice.

For further information regarding these meetings, please contact:

Rebecca Reed, Board Relations Analyst
(916) 561-1716 or rebecca.reed@cba.ca.gov
California Board of Accountancy
2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833

An electronic copy of this notice can be found at <http://www.dca.ca.gov/cba/about-cba/calendar.shtml>

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Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the California Board of Accountancy prior to the California Board of Accountancy taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the California Board of Accountancy, but the California Board of Accountancy President may, at his or her discretion, apportion available time among those who wish to speak. Individuals may appear before the California Board of Accountancy to discuss items not on the agenda; however, the California Board of Accountancy can neither discuss nor take official action on these items at the time of the same meeting (Government Code sections 11125, 11125.7(a)).



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**DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
CHAIR/VICE-CHAIR TRAINING**

TRAINING AGENDA

**Thursday, January 18, 2018
9:00 a.m. – 10:15 a.m.**

**California Board of Accountancy
2450 Venture Oaks Way, Suite 420
Sacramento, CA 95833
Telephone: (916) 263-3680**

Important Notice to the Public

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- 9:00 a.m.** I. Welcome and Introduction (**Michael M. Savoy, CPA, President**).
- 9:05 a.m.** II. Overview of Role and Expectations for Chairs and Vice-Chairs of a CBA Committee (**Michael M. Savoy, CPA**).
- 9:15 a.m.** III. Presentation Regarding Conducting a Meeting in Accordance with the Bagley-Keene Open Meeting Act (**Ileana Butu, Department of Consumer Affairs, Attorney III**).
- A. Adequate Notice of Meetings and Agenda Items.
- B. Importance of Roll Call and Need to Establish and Maintain a Quorum.

- C. Facilitating Discussion on Agenda Items and Avoiding a Discussion on Items Not on the Agenda.
- D. General Rules for Conducting Meetings in Open and Closed Session.
- E. When to Call for a Motion or the Vote and How to Address a Tie Vote.
- F. Requirement for Reporting Action Taken and the Vote or Abstention of Each Member.
- G. Requirement to Take Public Comment Before a Vote and Include Public Comment on Agenda.
- H. How to Deal with Disruptive Persons at a Meeting.

- 9:45 a.m.** IV. Video Presentation on Conducting a Meeting.
- 9:50 a.m.** V. How to Handle Contact from Consumers or Licensees Outside of the Meeting (**Patti Bowers, Executive Officer**).
- 9:55 a.m.** VI. CBA Staff Roles and Responsibilities Which Support CBA and Committee Members and Meetings (**Patti Bowers, CBA Executive Officer**).
- 10:05 a.m.** VII. Comments/Questions



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CBA MISSION: To protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards

CALIFORNIA BOARD OF ACCOUNTANCY (CBA) LEGISLATIVE COMMITTEE

MEETING AGENDA
Thursday, January 18, 2018
10:30 a.m.

California Board of Accountancy
2450 Venture Oaks Way, Suite 420
Sacramento, CA 95833
Telephone: (916) 263-3680

Important Notice to the Public

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	<u>CBA Item #</u>
Call to Order, Roll Call, and Establishment of Quorum (Xochitl León, Chair).	
I. Approve Minutes of the November 16, 2017 Legislative Committee Meeting.	IX.B.
II. Overview of the California Legislative and Regulatory Process and the Legislative Committee’s Role (Written Report Only).	VIII.A.2.
III. Review and Consideration of a Possible Position on Senate Bill 795 – Accountancy: Practice Privileges (Aaron Bone, Information and Planning Officer).	VIII.A.3.
IV. California Board of Accountancy 2017/18 Legislative Tracking Chart (Written Report Only).	VIII.A.4.

- V. Update on Previously Approved Legislative Proposals Deleting Outdated Language for Attest Services Requirements, Certified Copies of Records of the Disciplinary or Other Actions Taken Against a Licensee as Conclusive Evidence for Purposes of Determining Discipline, and Updating Terminology Regarding Application Forms (**Nooshin Movassaghi, Legislative Analyst**). VIII.A.5.
- VI. Legislative Items for Future Meeting. The Legislative Committee may discuss other items of legislation in sufficient detail to determine whether such items should be on a future Legislative Committee meeting agenda and/or whether to hold a special meeting of the Legislative Committee to discuss such items pursuant to Government Code section 11125.4 (**Nooshin Movassaghi**). VIII.A.6.
- VII. Public Comments.*
- VIII. Agenda Items for Next Meeting.

Adjournment

In accordance with the Bagley-Keene Open Meeting Act, all meetings of the California Board of Accountancy are open to the public. While the California Board of Accountancy intends to webcast this meeting, it may not be possible to webcast the entire open meeting due to limitations on resources or technical difficulties.

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California Board of Accountancy members who are not members of the Legislative Committee may be attending the meeting. However, if a majority of members of the full board are present at the Legislative Committee meeting, members who are not Legislative Committee members may attend the meeting only as observers.

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CALIFORNIA BOARD OF ACCOUNTANCY (CBA) COMMITTEE ON PROFESSIONAL CONDUCT

MEETING AGENDA
Thursday, January 18, 2018
10:45 a.m.

Or Upon Adjournment of the Legislative Committee Meeting

California Board of Accountancy
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|--|--------------------------|
| Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks (Deidre Robinson, Chair). | <u>CBA Item #</u> |
| I. Approve Minutes of the November 16, 2017 Committee on Professional Conduct Meeting. | IX.C. |
| II. Discussion Regarding the National Association of State Boards of Accountancy Release of the Final Version of the Model Rules for Continuing Professional Education, Article Three and Possible Changes to Title 16, California Code of Regulations, Sections 80-94, Continuing Education Rules (Gina Sanchez, Chief, Licensing Division). | VIII.B.2. |
| III. Public Comments.* | |
| IV. Agenda Items for Next Meeting. | |

Adjournment.

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California Board of Accountancy members who are not members of the Committee on Professional Conduct may be attending the meeting. However, if a majority of members of the full board are present at the Committee on Professional Conduct meeting, members who are not Committee on Professional Conduct members may attend the meeting only as observers.

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**DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY**

MEETING AGENDA

**January 18, 2018
11:00 a.m. – 5:00 p.m.**

**California Board of Accountancy
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**Thursday,
January 18, 2018**

Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks (**Michael M. Savoy, CPA, President**).

**11:00 a.m. –
12:00 p.m.**

- I. Report of the President (**Michael M. Savoy, CPA**).
 - A. Report of the Leadership Roundtable Meeting Regarding Leadership Responsibilities and the California Board of Accountancy Activities for 2018.
 - B. Report of the January 18, 2018 Chair/Vice-Chair Training.

- C. Discussion and Possible Action on Proposed Legislation to Amend Business and Professions Code Section 5058.2. to Allow the Holder of an Inactive License Who is a Member of the California State Legislature or the United States Congress and is not Engaged in the Practice of Public Accountancy as Defined in Section 5051 to be Exempt from this Requirement (**Patti Bowers, Executive Officer**).
- D. Discussion and Possible Action Regarding the Ongoing Role of the Mobility Stakeholder Group (**Aaron Bone, Information and Planning Officer**).
- E. Announcement of the New Committee and Liaison Assignments (**Written Report Only**).
- F. Educational Presentation on the Sunset Review Process (**Aaron Bone, Information and Planning Officer**).
- G. Discussion and Possible Action to Seek an Upgrade to the Executive Officer Classification (**Deanne Pearce, Assistant Executive Officer**).
- H. Developments Since the February 2015 United States Supreme Court Decision: North Carolina State Board of Dental Examiners v. Federal Trade Commission (**Ileana Butu, Department of Consumer Affairs, Attorney III**).
- I. Department of Consumer Affairs Director's Report on Departmental Activities (**Karen Nelson, Assistant Deputy Director, Office of Board and Bureau Services**).

12:00 p.m. –
1:30 p.m.
1:30 p.m. –
1:35 p.m.

Lunch

- II. Report of the Vice-President (**George Famalett, CPA, Vice-President**).
- A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee.
- B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee.
- C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

1:35 p.m. –
1:50 p.m.

III. Report of the Secretary/Treasurer (**Mark Silverman, Esq., Secretary/Treasurer**).

A. Discussion of the Governor's Budget.

B. Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Section 70 – Fees (**Deanne Pearce, Assistant Executive Officer**).

1:50 p.m. –
2:00 p.m.

IV. Report of the Executive Officer (**Patti Bowers, Executive Officer**).

A. Update on Staffing.

B. Review and Approval of Proposed Changes to the California Board of Accountancy's CBA Member Guidelines and Procedures Manual (**Deanne Pearce, Assistant Executive Officer**).

C. Update on the California Board of Accountancy's Communications and Outreach (**Aaron Bone, Information and Planning Officer**).

2:00 p.m. –
2:30 p.m.

V. Report on the Enforcement Advisory Committee, Qualifications Committee, and Peer Review Oversight Committee.

A. Enforcement Advisory Committee (**Joseph Rosenbaum, CPA, Committee Chair**).

No Report.

B. Qualifications Committee (**David Evans, CPA, Committee Chair**).

No Report.

C. Peer Review Oversight Committee (**Jeffrey De Lyser, CPA, Committee Chair**).

1. Report of the December 8, 2017, Peer Review Oversight Committee Meeting.

2. Approval of the 2018 Peer Review Oversight Committee Meeting Dates.

3. Overview of the California Peer Review Program (**Dominic Franzella, Chief, Enforcement Division**).

4. Discussion and Possible Action Regarding Evaluation of the Peer Reviewer Population (**Dominic Franzella, Chief, Enforcement Division/Jim Brackens, CPA, CGMA, American Institute of Certified Public Accountants**).
5. Discussion and Possible Action Regarding Peer Review Oversight Committee Member Qualification Criteria (**Dominic Franzella, Chief, Enforcement Division**).

2:30 p.m. –
2:50 p.m.

VI. Report of the Enforcement Chief (**Dominic Franzella, Chief, Enforcement Division**).

A. Enforcement Activity Report.

2:50 p.m. –
3:05 p.m.

VII. Report of the Licensing Chief (**Gina Sanchez, Chief, Licensing Division**).

A. Licensing Activity Report.

3:05 p.m. –
3:25 p.m.

VIII. Report on the Legislative Committee and Committee on Professional Conduct.

A. Legislative Committee (**Xochitl León, Committee Chair**).

1. Report of the January 18, 2018, Legislative Committee Meeting.
2. Overview of the California Legislative and Regulatory Process and the Legislative Committee's Role.
3. Review and Consideration of a Possible Position on Senate Bill 795 – Accountancy: Practice Privileges.
4. California Board of Accountancy 2017/18 Legislative Tracking Chart.
5. Update on Previously Approved Legislative Proposals Deleting Outdated Language for Attest Services Requirements, Certified Copies of Records of the Disciplinary or Other Actions Taken Against a Licensee as Conclusive Evidence for Purposes of Determining Discipline, and Updating Terminology Regarding Application Forms.

6. Legislative Items for Future Meeting. The Legislative Committee may discuss other items of legislation in sufficient detail to determine whether such items should be on a future Legislative Committee meeting agenda and/or whether to hold a special meeting of the Legislative Committee to discuss such items pursuant to Government Code section 11125.4.

B. Committee on Professional Conduct (**Deidre Robinson, Committee Chair**).

1. Report of the January 18, 2018, Committee on Professional Conduct Meeting.
2. Discussion Regarding the National Association of State Boards of Accountancy Release of the Final Version of the Model Rules for Continuing Professional Education, Article Three and Possible Changes to Title 16, California Code of Regulations, Sections 80-94, Continuing Education Rules.

3:25 p.m. –
3:30 p.m.

IX. Meeting Minutes.

- A. Adoption of the Minutes of the November 16, 2017, California Board of Accountancy Meeting.
- B. Acceptance of the Minutes of the November 16, 2017, Legislative Committee Meeting.
- C. Acceptance of the Minutes of the November 16, 2017 Committee on Professional Conduct Meeting.
- D. Acceptance of the Minutes of the May 5, 2017, Peer Review Oversight Committee Meeting.

3:30 p.m. –
3:35 p.m.

X. Other Business.

- A. American Institute of Certified Public Accountants.
 1. Report on Meetings of the American Institute of Certified Public Accountants Attended by a California Board of Accountancy Representative.

B. National Association of State Boards of Accountancy.

1. Report on Meetings of the National Association of State Boards of Accountancy Attended by a California Board of Accountancy Representative.
2. Discussion and Possible Ratification of Staff Responses to the National Association of State Boards of Accountancy's Focus Questions Regarding Continuing Professional Education of the Accounting Profession in California (**Rebecca Reed, Board Relations Analyst**).
3. Report on Committee Meetings of the National Association of State Boards of Accountancy Attended by a California Board of Accountancy Member.

a. Enforcement Resources Committee
(**Katrina L. Salazar, CPA**).

No Report.

b. Strategic Planning Task Force
(**Katrina L. Salazar, CPA**).

c. Continuing Professional Education Committee
(**Kathleen Wright, CPA**).

No Report.

3:35 p.m. –
3:40 p.m.

XI. Closing Business.

A. Public Comments.*

B. Agenda Items for Future California Board of Accountancy Meetings.

3:40 p.m. –
5:00 p.m.

XII. Closed Session: Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy Will Convene Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements, Default Decisions, and Proposed Decisions).

XIII. Closed Session: Pursuant to Government Code Section 11126(e), the California Board of Accountancy Will Meet in Closed Session to Receive Advice From Legal Counsel on Litigation (*David Greenberg v. California Board of Accountancy*, Los Angeles County Superior Court, Case No. BS155045).

Return to Open Session.

Adjournment.

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CBA Item I.C.
January 18, 2018

Discussion and Possible Action on Proposed Legislation to Amend Business and Professions Code Section 5058.2. to Allow the Holder of an Inactive License Who is a Member of the California State Legislature or the United States Congress and is not Engaged in the Practice of Public Accountancy as Defined in Section 5051 to be Exempt from this Requirement

Presented by: Patti Bowers, Executive Officer

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) the opportunity to consider and approve statutory language to amend Business and Professions Code (BPC) section 5058.2 (**Attachment**), which would allow licensees serving as current members of the California State Legislature (Legislature) or the United States Congress (Congress) who renew inactive, an exemption from using the term “inactive” after their certified public accountant (CPA) title or CPA designation.

Consumer Protection Objectives

The CBA proposes various legislative changes when carrying out its role of regulating the practice of public accountancy in California.

Action(s) Needed

The CBA is being asked to approve the proposed legislative language to amend BPC 5058.2 and direct staff to seek inclusion in a 2018 omnibus bill or, if necessary, seek an author to carry a legislative bill.

Background

At the July and September 2017 CBA meetings, members reviewed and discussed two separate proposals brought forth by Senator John M. W. Moorlach, 37th District, and Congressman Brad Sherman, 30th District. One proposal included a continuing education (CE) exemption for full-time members of the Legislature or Congress and the other allowed participation in hearings as satisfying the CE requirement specific to live presentations. Members elected not to move forward with either proposal as presented.

Comments

At the request of Senate Business, Professions and Economic Development (B&P) Committee staff, this agenda item is being brought forward to explore an alternative

Discussion and Possible Action on Proposed Legislation to Amend Business and Professions Code Section 5058.2. to Allow the Holder of an Inactive License Who is a Member of the California State Legislature or the United States Congress and is not Engaged in the Practice of Public Accountancy as Defined in Section 5051 to be Exempt from this Requirement

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proposal for CPAs who are current members of the Legislature or Congress. Senate B&P Committee staff have expressed a willingness to work with the CBA in pursuing a legislative solution to the issue via an omnibus bill.

Under current law, licensees in an inactive status may use the CPA title or CPA designation; however, it must be followed by the term “inactive” immediately after that designation. Staff have prepared proposed legislative language for the CBA’s consideration that would allow for an exemption to licensees serving as a current member of the Legislature or Congress who renew their CPA license in an inactive status from using the term “inactive” immediately following their CPA title or CPA designation (**Attachment**). The CBA will ensure the CBA website reflects that these licensees do not have the right to practice public accountancy.

This proposal is similar to that of the exemption provided attorneys who are officers and elected officials of the State of California. Attorneys acting within the scope of their employment are allowed to use their esquire (Esq.) designation and are exempt from CE requirements.

The attached legislative language is a compromise to the previous proposals presented to the CBA. Additionally, it is staff’s understanding that the Senate B&P Committee may move forward with a legislative solution in the event no action is taken by the CBA.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff recommend that the CBA approve the language in the **Attachment** to amend BPC section 5058.2, and direct staff to seek inclusion in a 2018 omnibus bill or, if necessary, seek an author to carry a legislative bill.

Attachment

Proposed Amendment to Business and Professions Code Section 5058.2



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Attachment

Proposed Amendments to Business and Professions Code Section 5058.2 – Inactive Designation

5058.2

The holder of an inactive license issued by the board pursuant to Section 462, when lawfully using the title “certified public accountant,” the CPA designation, or any other reference that would suggest that the person is licensed by the board on materials such as correspondence, Internet Web sites, business cards, nameplates, or name plaques, shall place the term “inactive” immediately after that designation. The holder of an inactive license who is a current member of the California State Legislature or the United States Congress and is not engaged in the practice of public accountancy as defined in Section 5051 is exempt from this requirement.

(Added by Stats. 2009, Ch. 409, Sec. 2. Effective January 1, 2010.)



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CBA Item I.D.
January 18, 2018

Discussion and Possible Action Regarding the Ongoing Role of the Mobility Stakeholder Group

Presented by: Aaron Bone, Information and Planning Officer

Purpose of the Item

The purpose of this agenda item is to allow the California Board of Accountancy (CBA) the opportunity to discuss the ongoing role of the Mobility Stakeholder Group (MSG).

Consumer Protection Objective

Ensuring the effectiveness of California's mobility program is essential to ensuring the CBA meets its mission of consumer protection.

Action(s) Needed

The CBA is asked to discuss and approve the MSG's ongoing role.

Background

Senate Bill (SB) 1405 (Chapter 411 of 2012 Statutes) rewrote the CBA's practice privilege provisions, commonly referred to as the mobility program, (Article 5.1, Chapter 1, Division 3 of the Business and Professions Code (BPC)), which became effective July 1, 2013 and shall become inoperative on January 1, 2019.

MSG's Responsibilities

Pursuant to BPC section 5096.21(e), the CBA is required to convene a stakeholder group to consider whether the new mobility program is consistent with the CBA's duty to protect the public. The roles and responsibilities of the MSG, as defined by the law and prescribed by the CBA, are as follows:

- Hold meetings as necessary in order to conduct business;
- Adopt policies and procedures relative to how it will conduct its business, including, but not limited to, policies and procedures addressing periodic reporting of its findings to the board;
- Consider whether the practice privilege provisions are consistent with the CBA's duty to protect the public in accordance with BPC section 5000.1;
- Consider whether the mobility law satisfies the objectives of stakeholders of the accounting profession, including consumers; and

Discussion and Possible Action Regarding the Ongoing Role of the Mobility Stakeholder Group

Page 2 of 5

- Prepare an Annual Report to the CBA highlighting its activities.

In addition, a component of SB 1405 requires the CBA to determine whether allowing licensees of a particular state to practice public accounting in California would violate the CBA's duty to protect the public. If this determination shows the public is at risk, the licensees of those particular states would, following a rulemaking by the CBA, be required to provide notice and pay a fee prior to exercising a practice privilege in California.

These determinations are to be made on and after January 1, 2016, and on an ongoing basis. In making those determinations, the CBA is required to consider three factors:

1. Whether the state timely and adequately addresses enforcement referrals made by the board to the accountancy regulatory board of that state, or otherwise fails to respond to requests the board deems necessary to meet its obligations under this article.
2. Whether the state makes the disciplinary history of its licensees publicly available through the Internet in a manner that allows the CBA to adequately link consumers to an Internet website to obtain information that was previously made available to consumers about individuals from the state prior to January 1, 2013, through the notification form.
3. Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

The primary role of the MSG, as tasked by the CBA, is to assist the CBA in determining whether allowing a licensee of a particular state to practice public accounting in California would violate the CBA's duty to protect the public.

Discussion During the September 2017 CBA Meeting

At its September 2017 meeting, the MSG discussed the value of providing ongoing oversight of the CBA's practice privilege program and its possible ongoing role. The MSG offered to the CBA the following options:

- Continuing the MSG for a finite period of time until the MSG's functions and responsibilities are dispersed into other CBA Advisory Committees.
- Amending the MSG's statutory authority in BPC section 5096.21(e) to either broaden the scope of the MSG's role or enact other changes approved by the CBA.

The MSG recommended to the CBA that the MSG's functions and responsibilities continue, but in a framework and structure to be determined later by the CBA. The CBA approved this recommendation.

Discussion and Possible Action Regarding the Ongoing Role of the Mobility Stakeholder Group

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Comments

As the CBA considers the MSG's ongoing role, it may wish to consider various topics or areas for continued review and evaluation to help ensure California consumers are adequately protected when allowing licensees from various states to practice public accounting in California pursuant to a practice privilege.

Continue Monitoring Other States' Enforcement Programs

Although all states have been determined by the CBA to be substantially equivalent to NASBA's Guiding Principles of Enforcement, ongoing monitoring will be necessary to ensure that the CBA is aware of any future changes to those states' enforcement procedures and policies and may appropriately evaluate them. This monitoring process may include the evaluation of disciplinary referrals to and from those states, a review of how other states disclose disciplinary information regarding their licensees, and the assessment of relevant CBA enforcement data and statistics.

MSG Authority to Recommend to the CBA Statutory or Regulatory Changes

If the mobility program is extended or made permanent by the Legislature, there may be future statutory or regulatory changes necessary to continue protecting consumers.

Presently, the MSG's enabling statute, BPC section 5096.21(e) (**Attachment 1**) does not grant the MSG the explicit authority to review, consider, and make recommendations to the CBA regarding possible changes to the CBA's practice act and related regulations. This may prevent the MSG from discussing, opining upon, or otherwise considering pending legislation or proposing other changes to the law which may benefit consumers or improve the effectiveness of the CBA's practice privilege statutes and regulations.

By comparison, the CBA's other advisory committees created in statute (Enforcement Advisory Committee, Peer Review Oversight Committee, and Qualifications Committee) have been charged by the Legislature to provide recommendations to the CBA on any authorized matter and help the CBA meet its mandate to protect consumers (**Attachment 2**). The CBA may wish to consider proposing legislation that would grant similar authority to the MSG.

Membership and Structure of the MSG

The membership of the MSG includes CBA members, CBA enforcement staff, representatives of consumers and the accounting profession. After determining the ongoing role of the MSG, the CBA may wish to consider whether the current makeup of the MSG is adequate.

Statutory or Regulatory Changes May be Necessary to Change the Scope of the MSG

Currently, the MSG considers whether the provisions of the CBA's mobility program are consistent with the CBA's duty to protect the public and make appropriate recommendations to the CBA. However, based upon the CBA's directives for the

Discussion and Possible Action Regarding the Ongoing Role of the Mobility Stakeholder Group

Page 4 of 5

MSG's updated role or membership, amendments to BPC section 5096.21(e) may be required.

Meeting Frequency and Reporting Requirements

When the MSG created its initial meeting schedule, it decided to meet three times per year in conjunction with the March, July, and November CBA meetings. Due to the volume of its work, the MSG later adjusted its schedule to meet in conjunction with each CBA meeting. The CBA may wish to consider whether a semi-annual meeting schedule is sufficient to meet the MSG's updated role.

In addition, the CBA may wish to consider what reporting requirements would be appropriate for the MSG.

Appoint a New Advisory Committee

In lieu of, or in addition to, revising the role of the MSG, the CBA may appoint a new advisory committee with specified goals and objectives. BPC section 5024 (**Attachment 3**) grants the CBA broad authority to appoint advisory committees composed of CBA members and other individuals.

The CBA may wish to consider appointing a new advisory committee to carry out certain roles and functions related to the practice privilege program.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff offer the following recommendations to the CBA:

- Maintain the current authority and responsibility of the MSG to help ensure consumer protection and direct it make recommendations to the CBA regarding the MSG's activities that would effectively monitor the CBA's mobility program;
- Rather than appoint a new committee, maintain the current structure of the MSG, and continue the CBA President's authority to make appointments;
- Require the MSG to meet no less frequently than twice a year; and
- If appropriate, direct CBA staff to draft legislation to update BPC 5096.21(e), to grant the MSG authority similar to the CBA's other existing advisory committees.

Attachments

1. Business and Profession Code Section 5096.21(e) – Mobility Stakeholder Group

Discussion and Possible Action Regarding the Ongoing Role of the Mobility Stakeholder Group

Page 5 of 5

2. Excerpts of the Business and Profession Code Related to the Enforcement Advisory Committee, Qualifications Committee, and Peer Review Oversight Committee
3. Business and Profession Code Section 5024 – CBA Authority to Appoint Advisory Committees



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Attachment 1

Business and Professions Code Section 5091.21(e) – Mobility Stakeholder Group

5096.21.

(e) On or before July 1, 2014, the board shall convene a stakeholder group consisting of members of the board, board enforcement staff, and representatives of the accounting profession and consumer representatives to consider whether the provisions of this article are consistent with the board's duty to protect the public consistent with Section 5000.1, and whether the provisions of this article satisfy the objectives of stakeholders of the accounting profession in this state, including consumers. The group, at its first meeting, shall adopt policies and procedures relative to how it will conduct its business, including, but not limited to, policies and procedures addressing periodic reporting of its findings to the board.



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Attachment 2

Excerpts of the Business and Professions Code Related to the California Board of Accountancy's Enforcement Advisory Committee, Qualifications Committee, and Peer Review Oversight Committee

5020. Related to the Enforcement Advisory Committee

The board may, for the purpose of obtaining technical expertise, appoint an enforcement advisory committee of not more than 13 licensees to provide advice and assistance related to the functions specified in Section 5103. The committee shall act only in an advisory capacity, shall have no authority to initiate any disciplinary action against a licensee, and shall only be authorized to report its findings from any investigation or hearing conducted pursuant to this section to the board, or upon direction of the board, to the executive officer.

5022. Related to the Qualifications Committee

The qualifications committee shall make recommendations and forward its report to the board for action on any matter on which it is authorized to act.

5076.1. Related to the Peer Review Oversight Committee

(a) The board shall appoint a peer review oversight committee of certified public accountants of this state who maintain a license in good standing and who are authorized to practice public accountancy to provide recommendations to the board on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

(b) The committee may request any information from a board-recognized peer review program provider deemed necessary to ensure the provider is administering peer reviews in accordance with the standards adopted by the board in regulations. Failure of a board-recognized peer review program provider to respond to the committee shall result in referral by the committee of the provider to the board for further action. Any information obtained by the board, its representatives, or the peer review oversight committee in conjunction with its review of peer review program providers shall not be a public record, and shall be exempt from public disclosure, provided, however, this information may be disclosed under any of the following circumstances:

- (1) In connection with disciplinary proceedings of the board.
- (2) In connection with legal proceedings in which the board is a party.

(3) In response to an official inquiry by a federal or state governmental regulatory agency.

(4) In compliance with a subpoena or summons enforceable by court order.

(5) As otherwise specifically required by law.

(c) The members of the committee shall be appointed to two-year terms and may serve a maximum of four consecutive terms.

(d) The board may adopt, as necessary, regulations further defining the minimum qualifications for appointment as a committee member and additional administrative elements designed to ensure the effectiveness of mandatory peer review.



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Attachment 3

Business and Professions Code Section 5024 – CBA Authority to Appoint Advisory Committees

5024.

The board may create and appoint advisory committees, consisting solely of board members or consisting of board members and other persons who are not board members, for the purpose of making recommendations on matters as may be specified by the board.

CBA AND COMMITTEE MEMBER ROSTER

2018 Committee Assignments

CBA Item I.E.
January 18, 2018



CBA MEMBERS

Michael M. Savoy, CPA, President
George Famalett, CPA, Vice-President
Mark Silverman, Esq., Secretary/Treasurer
Alicia Berhow
Jose A. Campos, CPA
Karriann Farrell Hinds, Esq.
Dan Jacobson, Esq.
Xochitl León
Luz Molina Lopez
Carola A. Nicholson, CPA
Jian Ou-Yang, CPA
Sunny Youngsun Park, Esq.
Deidre Robinson
Katrina L. Salazar, CPA
Kathleen Wright, CPA

Staff: Rebecca Reed
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CBA Committees

CPC – Committee on Professional Conduct
EPOC – Enforcement Program Oversight Committee
LC – Legislative Committee
SPC – Strategic Planning Committee

Advisory Committees

EAC – Enforcement Advisory Committee
PROC – Peer Review Oversight Committee
MSG – Mobility Stakeholder Group
QC – Qualifications Committee

CBA COMMITTEES

CPC

Deidre Robinson, Chair
Alicia Berhow
Jose A. Campos, CPA
George Famalett, CPA
Karriann Farrell Hinds, Esq.
Dan Jacobson, Esq.
Sunny Youngsun Park, Esq.

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EPOC

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LC

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Dan Jacobson, Esq.
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SPC

Update on Strategic Plan activities
will be presented to the full CBA
in 2018.

Staff: Pat Billingsley
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ADVISORY COMMITTEES

EAC

Joseph Rosenbaum, CPA, Chair
Nancy Corrigan, CPA, Vice-Chair
Doug Aguilera, CPA
Nicholas Antonian, CPA
Dale Best, CPA
Joseph Buniva, CPA
Mary Rose Caras, CPA
Jeffrey De Lyser, CPA
William Donnelly, CPA
Thomas Gilbert, CPA
Mike Johnson, CPA
Jim Songey, CPA
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Kevin Harper, CPA, Vice-Chair
Renee Graves, CPA
Sharon Selleck, CPA
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CBA Item I.F.
January 18, 2018

Educational Presentation on the Sunset Review Process

Presented by: Aaron Bone, Information and Planning Officer

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an overview of the process for the CBA's upcoming sunset review.

Consumer Protection Objectives

This agenda item helps ensure that the CBA continues to fulfill its mission of consumer protection and adheres to the California State Legislature's review process.

Action(s) Needed

None.

Background

The California State Legislature created the sunset review process in 1994 to further its oversight responsibilities. Each year, the Assembly Committee on Business and Professions and the Senate Committee on Business, Professions and Economic Development Committee meet as the Joint Legislative Committee on Sunset Review (Joint Committee) and review the boards and bureaus under the Department of Consumer Affairs (DCA).

The term "sunset" is used because the statutory authority of those DCA boards and bureaus, including the CBA, contain a deadline for the legislature to reauthorize the authority of that board or bureau. Should the Legislature and Governor fail to enact a bill that would reauthorize that board or bureau, the statutory authority for that entity would lapse, or "sunset."

The DCA boards and bureaus are responsible for protecting consumers and regulating the professionals they license. The sunset review process provides an opportunity for the DCA, the Legislature, the boards, and interested parties and stakeholders to discuss the performance of the boards, and make recommendations for improvements. In general, each DCA board and bureau undergoes sunset review every four years. In the year prior to its sunset review, each DCA board and bureau must submit a comprehensive report to the Legislature.

The CBA is scheduled for its next sunset review in 2019, with its background report due in late 2018.

Educational Presentation on the Sunset Review Process

Page 2 of 3

Comments

Business and Professions Code (BPC) section 5000, which establishes the CBA and its membership, contains the sunset provision that states, “This section shall remain in effect only until January 1, 2020, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2020, deletes or extends that date.”

Therefore, if the Legislature does not change that date by the end of 2019, the membership of the CBA and its authority, would be dissolved.

A similar provision is in BPC section 5015.6, which establishes the CBA’s authority to appoint an Executive Officer.

Approximately two years before the sunset date of a particular board or bureau, the Joint Committee will provide to that board or bureau a series of questions and requests for data and other information related to its licensing, enforcement, and related functions. Once received by a board or bureau, this document leads to the creation of the Sunset Review Report (Report), which is typically due to the Legislature a little more than a year before a board’s sunset date. The Report also discusses the previous sunset reviews and affords an opportunity to bring forward issues that should be addressed by the Legislature.

Report Development

The CBA has not yet received the series of questions and requests necessary to draft its Report to the Joint Committee, but staff have begun to analyze the questions and requests for data provided to the DCA boards and bureaus that submitted a report in 2017 (**Attachment**).

Staff anticipate following this schedule for the next few CBA meetings:

- March and May 2018 CBA meetings: receive CBA member input on the questions provided by the Joint Committee
- July 2018 CBA meeting: bring a draft report for CBA member comment
- September 2018 CBA meeting: bring the final draft report for CBA member review and possible approval

Once the Report is completed and submitted to the Joint Committee, legislative staff review the report and prepare a Background Paper used by committee members at the hearing. This document discusses the issues that the committee will address at the hearing and is provided in advance to board or bureau staff.

Legislative Hearings

Typically, the Joint Committee schedules its public hearings in the first part of the year so that legislation may be finalized and approved before the end of the legislative calendar in August or September. The hearings are intended to obtain input from the board, DCA, the public, and the regulated profession.

Educational Presentation on the Sunset Review Process

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At the hearing, the President of the CBA and Executive Officer will typically make opening remarks and provide testimony on behalf of the CBA and answer any questions posed by the committee members. Other CBA Members are welcome to attend the hearing or watch/listen to it over the Internet, if available.

Following the Joint Committee hearing, legislative staff typically issue some form of report that includes final recommendations, whether the CBA's sunset should be extended, and whether any of the CBA's functions should be revised. A bill to enact the recommendations of the Joint Committee may be considered by the Legislature.

Staff anticipate bringing updates on this process to the March, May, and July 2018 CBA meetings, with a possible approval of the CBA's Report to occur at the September 2018 CBA meeting.

Fiscal/Economic Impact Considerations

None.

Recommendation

Staff do not have a recommendation for this item.

Attachment

2017 Sample Sunset Review Questions

[BOARD NAME]

BACKGROUND INFORMATION AND OVERVIEW OF THE CURRENT REGULATORY PROGRAM

As of [date]

Section 1

Background and Description of the Board and Regulated Profession

Provide a short explanation of the history and function of the board.¹ Describe the occupations/profession that are licensed and/or regulated by the board (Practice Acts vs. Title Acts).

1. Describe the make-up and functions of each of the board's committees (cf., Section 12, Attachment B).

Table 1a. Attendance

[Enter board member name]			
Date Appointed:	[Enter date appointed]		
Meeting Type	Meeting Date	Meeting Location	Attended?
Meeting 1	[Enter Date]	[Enter Location]	[Y/N]
Meeting 2	[Enter Date]	[Enter Location]	[Y/N]
Meeting 3	[Enter Date]	[Enter Location]	[Y/N]
Meeting 4	[Enter Date]	[Enter Location]	[Y/N]

Table 1b. Board/Committee Member Roster

Member Name (Include Vacancies)	Date First Appointed	Date Re- appointed	Date Term Expires	Appointing Authority	Type (public or professional)

2. In the past four years, was the board unable to hold any meetings due to lack of quorum? If so, please describe. Why? When? How did it impact operations?
3. Describe any major changes to the board since the last Sunset Review, including, but not limited to:
 - Internal changes (i.e., reorganization, relocation, change in leadership, strategic planning)
 - All legislation sponsored by the board and affecting the board since the last sunset review.

¹ The term "board" in this document refers to a board, bureau, commission, committee, department, division, program, or agency, as applicable. Please change the term "board" throughout this document to appropriately refer to the entity being reviewed.

- All regulation changes approved by the board the last sunset review. Include the status of each regulatory change approved by the board.
4. Describe any major studies conducted by the board (cf. Section 12, Attachment C).
 5. List the status of all national associations to which the board belongs.
 - Does the board's membership include voting privileges?
 - List committees, workshops, working groups, task forces, etc., on which board participates.
 - How many meetings did board representative(s) attend? When and where?
 - If the board is using a national exam, how is the board involved in its development, scoring, analysis, and administration?

Section 2

Performance Measures and Customer Satisfaction Surveys

6. Provide each quarterly and annual performance measure report for the board as published on the DCA website
7. Provide results for each question in the board's customer satisfaction survey broken down by fiscal year. Discuss the results of the customer satisfaction surveys.

Section 3

Fiscal and Staff

Fiscal Issues

8. Is the board's fund continuously appropriated? If yes, please cite the statute outlining this continuous appropriation.
9. Describe the board's current reserve level, spending, and if a statutory reserve level exists.
10. Describe if/when a deficit is projected to occur and if/when fee increase or reduction is anticipated. Describe the fee changes (increases or decreases) anticipated by the board.

Table 2. Fund Condition						
(Dollars in Thousands)	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Beginning Balance						
Revenues and Transfers						
Total Revenue	\$	\$	\$	\$	\$	\$
Budget Authority						
Expenditures						
Loans to General Fund						
Accrued Interest, Loans to General Fund						
Loans Repaid From General Fund						
Fund Balance	\$	\$	\$	\$	\$	\$

Months in Reserve						
--------------------------	--	--	--	--	--	--

11. Describe the history of general fund loans. When were the loans made? When have payments been made to the board? Has interest been paid? What is the remaining balance?
12. Describe the amounts and percentages of expenditures by program component. Use *Table 3. Expenditures by Program Component* to provide a breakdown of the expenditures by the board in each program area. Expenditures by each component (except for pro rata) should be broken out by personnel expenditures and other expenditures.

Table 3. Expenditures by Program Component (list dollars in thousands)								
	FY 2013/14		FY 2014/15		FY 2015/16		FY 2016/17	
	Personnel Services	OE&E	Personnel Services	OE&E	Personnel Services	OE&E	Personnel Services	OE&E
Enforcement								
Examination								
Licensing								
Administration *								
DCA Pro Rata								
Diversion (if applicable)								
TOTALS	\$	\$	\$	\$	\$	\$	\$	\$
*Administration includes costs for executive staff, board, administrative support, and fiscal services.								

13. Describe the amount the board has contributed to the BreEZe program. What are the anticipated BreEZe costs the board has received from DCA?
14. Describe license renewal cycles and history of fee changes in the last 10 years. Give the fee authority (Business and Professions Code and California Code of Regulations citation) for each fee charged by the board.

Table 4. Fee Schedule and Revenue (list revenue dollars in thousands)							
Fee	Current Fee Amount	Statutory Limit	FY 2013/14 Revenue	FY 2014/15 Revenue	FY 2015/16 Revenue	FY 2016/17 Revenue	% of Total Revenue

15. Describe Budget Change Proposals (BCPs) submitted by the board in the past four fiscal years.

Table 5. Budget Change Proposals (BCPs)								
BCP ID #	Fiscal Year	Description of Purpose of BCP	Personnel Services				OE&E	
			# Staff Requested (include classification)	# Staff Approved (include classification)	\$ Requested	\$ Approved	\$ Requested	\$ Approved

Staffing Issues

16. Describe any board staffing issues/challenges, i.e., vacancy rates, efforts to reclassify positions, staff turnover, recruitment and retention efforts, succession planning.

17. Describe the board's staff development efforts and how much is spent annually on staff development (cf., Section 12, Attachment D).

Section 4 Licensing Program

18. What are the board's performance targets/expectations for its licensing² program? Is the board meeting those expectations? If not, what is the board doing to improve performance?

19. Describe any increase or decrease in the board's average time to process applications, administer exams and/or issue licenses. Have pending applications grown at a rate that exceeds completed applications? If so, what has been done by the board to address them? What are the performance barriers and what improvement plans are in place? What has the board done and what is the board going to do to address any performance issues, i.e., process efficiencies, regulations, BCP, legislation?

20. How many licenses or registrations does the board issue each year? How many renewals does the board issue each year?

Table 6. Licensee Population					
		FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
[Enter License Type]	Active				
	Delinquent				
	Retired				
	Out of State				
	Out of Country				
[Enter License Type]	Active				
	Delinquent				
	Retired				

² The term "license" in this document includes a license certificate or registration.

[Enter License Type]	Out of State				
	Out of Country				
	Active				
	Delinquent				
	Retired				
[Enter License Type]	Out of State				
	Out of Country				
	Active				
	Delinquent				
	Retired				
[Enter License Type]	Out of State				
	Out of Country				
	Active				
	Delinquent				
	Retired				
[Enter License Type]	Out of State				
	Out of Country				
	Active				
	Delinquent				
	Retired				
Note: 'Out of State' and 'Out of Country' are two mutually exclusive categories. A licensee should not be counted in both.					

Table 7a. Licensing Data by Type

Application Type		Received	Approved	Closed	Issued	Pending Applications			Cycle Times		
						Total (Close of FY)	Outside Board control*	Within Board control*	Complete Apps	Incomplete Apps	combined, IF unable to separate out
FY 2014/15	(Exam)					-	-	-	-	-	-
	(License)					-	-	-	-	-	-
	(Renewal)			n/a		-	-	-	-	-	-
FY 2015/16	(Exam)										
	(License)										
	(Renewal)			n/a							
FY 2016/17	(Exam)										
	(License)										
	(Renewal)			n/a							
* Optional. List if tracked by the board.											

Table 7b. Total Licensing Data

	FY 2014/15	FY 2015/16	FY 2016/17
Initial Licensing Data:			
Initial License/Initial Exam Applications Received			
Initial License/Initial Exam Applications Approved			
Initial License/Initial Exam Applications Closed			
License Issued			
Initial License/Initial Exam Pending Application Data:			
Pending Applications (total at close of FY)			
Pending Applications (outside of board control)*			
Pending Applications (within the board control)*			
Initial License/Initial Exam Cycle Time Data (WEIGHTED AVERAGE):			
Average Days to Application Approval (All - Complete/Incomplete)			

Average Days to Application Approval (incomplete applications)*			
Average Days to Application Approval (complete applications)*			
License Renewal Data:			
License Renewed			
Note: The values in Table 7b are the aggregates of values contained in Table 7a. * Optional. List if tracked by the board.			

21. How does the board verify information provided by the applicant?

- What process does the board use to check prior criminal history information, prior disciplinary actions, or other unlawful acts of the applicant?
- Does the board fingerprint all applicants?
- Have all current licensees been fingerprinted? If not, explain.
- Is there a national databank relating to disciplinary actions? Does the board check the national databank prior to issuing a license? Renewing a license?
- Does the board require primary source documentation?

22. Describe the board's legal requirement and process for out-of-state and out-of-country applicants to obtain licensure.

23. Describe the board's process, if any, for considering military education, training, and experience for purposes of licensing or credentialing requirements, including college credit equivalency.

- Does the board identify or track applicants who are veterans? If not, when does the board expect to be compliant with BPC § 114.5?
- How many applicants offered military education, training or experience towards meeting licensing or credentialing requirements, and how many applicants had such education, training or experience accepted by the board?
- What regulatory changes has the board made to bring it into conformance with BPC § 35?
- How many licensees has the board waived fees or requirements for pursuant to BPC § 114.3, and what has the impact been on board revenues?
- How many applications has the board expedited pursuant to BPC § 115.5?

24. Does the board send No Longer Interested notifications to DOJ on a regular and ongoing basis? Is this done electronically? Is there a backlog? If so, describe the extent and efforts to address the backlog.

Examinations

Table 8. Examination Data				
California Examination (include multiple language) if any:				
License Type				
Exam Title				
FY 2013/14	# of 1 st Time Candidates			
	Pass %			
FY 2014/15	# of 1 st Time Candidates			
	Pass %			

FY 2015/16	# of 1 st Time Candidates			
	Pass %			
FY 2016/17	# of 1 st time Candidates			
	Pass %			
Date of Last OA				
Name of OA Developer				
Target OA Date				
National Examination (include multiple language) if any:				
License Type				
Exam Title				
FY 2013/14	# of 1 st Time Candidates			
	Pass %			
FY 2014/15	# of 1 st Time Candidates			
	Pass %			
FY 2015/16	# of 1 st Time Candidates			
	Pass %			
FY 2016/17	# of 1 st time Candidates			
	Pass %			
Date of Last OA				
Name of OA Developer				
Target OA Date				

25. Describe the examinations required for licensure. Is a national examination used? Is a California specific examination required? Are examinations offered in a language other than English?
26. What are pass rates for first time vs. retakes in the past 4 fiscal years? (*Refer to Table 8: Examination Data*) Are pass rates collected for examinations offered in a language other than English?
27. Is the board using computer based testing? If so, for which tests? Describe how it works. Where is it available? How often are tests administered?
28. Are there existing statutes that hinder the efficient and effective processing of applications and/or examinations? If so, please describe.

School approvals

29. Describe legal requirements regarding school approval. Who approves your schools? What role does BPPE have in approving schools? How does the board work with BPPE in the school approval process?
30. How many schools are approved by the board? How often are approved schools reviewed? Can the board remove its approval of a school?
31. What are the board's legal requirements regarding approval of international schools?

Continuing Education/Competency Requirements

32. Describe the board's continuing education/competency requirements, if any. Describe any changes made by the board since the last review.
- How does the board verify CE or other competency requirements?
 - Does the board conduct CE audits of licensees? Describe the board's policy on CE audits.
 - What are consequences for failing a CE audit?
 - How many CE audits were conducted in the past four fiscal years? How many fails? What is the percentage of CE failure?
 - What is the board's course approval policy?
 - Who approves CE providers? Who approves CE courses? If the board approves them, what is the board application review process?
 - How many applications for CE providers and CE courses were received? How many were approved?
 - Does the board audit CE providers? If so, describe the board's policy and process.
 - Describe the board's effort, if any, to review its CE policy for purpose of moving toward performance based assessments of the licensee's continuing competence.

Section 5 Enforcement Program

33. What are the board's performance targets/expectations for its enforcement program? Is the board meeting those expectations? If not, what is the board doing to improve performance?
34. Explain trends in enforcement data and the board's efforts to address any increase in volume, timeframes, ratio of closure to pending cases, or other challenges. What are the performance barriers? What improvement plans are in place? What has the board done and what is the board going to do to address these issues, i.e., process efficiencies, regulations, BCP, legislation?

Table 9a. Enforcement Statistics			
	FY 2014/15	FY 2015/16	FY 2016/17
COMPLAINT			
Intake			
Received			
Closed			
Referred to INV			
Average Time to Close			
Pending (close of FY)			
Source of Complaint			
Public			
Licensee/Professional Groups			
Governmental Agencies			
Other			
Conviction / Arrest			
CONV Received			
CONV Closed			

Average Time to Close			
CONV Pending (close of FY)			
LICENSE DENIAL			
License Applications Denied			
SOIs Filed			
SOIs Withdrawn			
SOIs Dismissed			
SOIs Declined			
Average Days SOI			
ACCUSATION			
Accusations Filed			
Accusations Withdrawn			
Accusations Dismissed			
Accusations Declined			
Average Days Accusations			
Pending (close of FY)			
DISCIPLINE			
Disciplinary Actions			
Proposed/Default Decisions			
Stipulations			
Average Days to Complete			
AG Cases Initiated			
AG Cases Pending (close of FY)			
Disciplinary Outcomes			
Revocation			
Voluntary Surrender			
Suspension			
Probation with Suspension ¹			
Probation ²			
Probationary License Issued			
Other			
PROBATION			
New Probationers			
Probations Successfully Completed			
Probationers (close of FY)			
Petitions to Revoke Probation			
Probations Revoked			
Probations Modified			
Probations Extended			
Probationers Subject to Drug Testing			
Drug Tests Ordered			
Positive Drug Tests			
Petition for Reinstatement Granted			
DIVERSION			
New Participants			
Successful Completions			
Participants (close of FY)			
Terminations			
Terminations for Public Threat			
Drug Tests Ordered			
Positive Drug Tests			

Table 9b. Enforcement Statistics (continued)			
	FY 2014/15	FY 2015/16	FY 2016/17
INVESTIGATION			
All Investigations			
First Assigned			
Closed			
Average days to close			
Pending (close of FY)			
Desk Investigations			
Closed			
Average days to close			
Pending (close of FY)			
Non-Sworn Investigation			
Closed			
Average days to close			
Pending (close of FY)			
Sworn Investigation			
Closed			
Average days to close			
Pending (close of FY)			
COMPLIANCE ACTION			
ISO & TRO Issued			
PC 23 Orders Requested			
Other Suspension Orders			
Public Letter of Reprimand			
Cease & Desist/Warning			
Referred for Diversion			
Compel Examination			
CITATION AND FINE			
Citations Issued			
Average Days to Complete			
Amount of Fines Assessed			
Reduced, Withdrawn, Dismissed			
Amount Collected			
CRIMINAL ACTION			
Referred for Criminal Prosecution			

Table 10. Enforcement Aging						
	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	Cases Closed	Average %
Attorney General Cases (Average %)						
Closed Within:						
0 - 1 Year						
1 - 2 Years						
2 - 3 Years						
3 - 4 Years						
Over 4 Years						
Total Attorney General Cases Closed						
Investigations (Average %)						
Closed Within:						
90 Days						
91 - 180 Days						
181 - 1 Year						
1 - 2 Years						
2 - 3 Years						
Over 3 Years						
Total Investigation Cases Closed						

35. What do overall statistics show as to increases or decreases in disciplinary action since last review?
36. How are cases prioritized? What is the board's compliant prioritization policy? Is it different from DCA's *Complaint Prioritization Guidelines for Health Care Agencies* (August 31, 2009)? If so, explain why.
37. Are there mandatory reporting requirements? For example, requiring local officials or organizations, or other professionals to report violations, or for civil courts to report to the board actions taken against a licensee. Are there problems with the board receiving the required reports? If so, what could be done to correct the problems?
- What is the dollar threshold for settlement reports received by the board?
 - What is the average dollar amount of settlements reported to the board?
38. Describe settlements the board, and Office of the Attorney General on behalf of the board, enter into with licensees.
- What is the number of cases, pre-accusation, that the board settled for the past four years, compared to the number that resulted in a hearing?
 - What is the number of cases, post-accusation, that the board settled for the past four years, compared to the number that resulted in a hearing?
 - What is the overall percentage of cases for the past four years that have been settled rather than resulted in a hearing?
39. Does the board operate with a statute of limitations? If so, please describe and provide citation. If so, how many cases have been lost due to statute of limitations? If not, what is the board's policy on statute of limitations?
40. Describe the board's efforts to address unlicensed activity and the underground economy.

Cite and Fine

41. Discuss the extent to which the board has used its cite and fine authority. Discuss any changes from last review and describe the last time regulations were updated and any changes that were made. Has the board increased its maximum fines to the \$5,000 statutory limit?
42. How is cite and fine used? What types of violations are the basis for citation and fine?
43. How many informal office conferences, Disciplinary Review Committees reviews and/or Administrative Procedure Act appeals of a citation or fine in the last 4 fiscal years?
44. What are the 5 most common violations for which citations are issued?
45. What is average fine pre- and post- appeal?
46. Describe the board's use of Franchise Tax Board intercepts to collect outstanding fines.

Cost Recovery and Restitution

47. Describe the board's efforts to obtain cost recovery. Discuss any changes from the last review.
48. How many and how much is ordered by the board for revocations, surrenders and probationers? How much do you believe is uncollectable? Explain.
49. Are there cases for which the board does not seek cost recovery? Why?
50. Describe the board's use of Franchise Tax Board intercepts to collect cost recovery.
51. Describe the board's efforts to obtain restitution for individual consumers, any formal or informal board restitution policy, and the types of restitution that the board attempts to collect, i.e., monetary, services, etc. Describe the situation in which the board may seek restitution from the licensee to a harmed consumer.

Table 11. Cost Recovery (list dollars in thousands)				
	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
Total Enforcement Expenditures				
Potential Cases for Recovery *				
Cases Recovery Ordered				
Amount of Cost Recovery Ordered				
Amount Collected				
* "Potential Cases for Recovery" are those cases in which disciplinary action has been taken based on violation of the license practice act.				

Table 12. Restitution (list dollars in thousands)				
	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
Amount Ordered				
Amount Collected				

Section 6

Public Information Policies

52. How does the board use the internet to keep the public informed of board activities? Does the board post board meeting materials online? When are they posted? How long do they remain on the board's website? When are draft meeting minutes posted online? When does the board post final meeting minutes? How long do meeting minutes remain available online?
53. Does the board webcast its meetings? What is the board's plan to webcast future board and committee meetings? How long to webcast meetings remain available online?
54. Does the board establish an annual meeting calendar, and post it on the board's web site?
55. Is the board's complaint disclosure policy consistent with DCA's *Recommended Minimum Standards for Consumer Complaint Disclosure*? Does the board post accusations and disciplinary actions consistent with DCA's *Web Site Posting of Accusations and Disciplinary Actions* (May 21, 2010)?
56. What information does the board provide to the public regarding its licensees (i.e., education completed, awards, certificates, certification, specialty areas, disciplinary action, etc.)?
57. What methods are used by the board to provide consumer outreach and education?

Section 7

Online Practice Issues

58. Discuss the prevalence of online practice and whether there are issues with unlicensed activity. How does the board regulate online practice? Does the board have any plans to regulate internet business practices or believe there is a need to do so?

Section 8

Workforce Development and Job Creation

59. What actions has the board taken in terms of workforce development?
60. Describe any assessment the board has conducted on the impact of licensing delays.
61. Describe the board's efforts to work with schools to inform potential licensees of the licensing requirements and licensing process.
62. Describe any barriers to licensure and/or employment the board believes exist.
63. Provide any workforce development data collected by the board, such as:
- a. Workforce shortages
 - b. Successful training programs.

Section 9

Current Issues

64. What is the status of the board's implementation of the Uniform Standards for Substance Abusing Licensees?

65. What is the status of the board's implementation of the Consumer Protection Enforcement Initiative (CPEI) regulations?
66. Describe how the board is participating in development of BreEZe and any other secondary IT issues affecting the board.
- Is the board utilizing BreEZe? What Release was the board included in? What is the status of the board's change requests?
 - If the board is not utilizing BreEZe, what is the board's plan for future IT needs? What discussions has the board had with DCA about IT needs and options? What is the board's understanding of Release 3 boards? Is the board currently using a bridge or workaround system?

Section 10

Board Action and Response to Prior Sunset Issues

Include the following:

- Background information concerning the issue as it pertains to the board.
- Short discussion of recommendations made by the Committees during prior sunset review.
- What action the board took in response to the recommendation or findings made under prior sunset review.
- Any recommendations the board has for dealing with the issue, if appropriate.

Section 11

New Issues

This is the opportunity for the board to inform the Committees of solutions to issues identified by the board and by the Committees. Provide a short discussion of each of the outstanding issues, and the board's recommendation for action that could be taken by the board, by DCA or by the Legislature to resolve these issues (i.e., policy direction, budget changes, legislative changes) for each of the following:

- Issues that were raised under prior Sunset Review that have not been addressed.
- New issues that are identified by the board in this report.
- New issues not previously discussed in this report.
- New issues raised by the Committees.

Section 12

Attachments

Please provide the following attachments:

- Board's administrative manual.

- B. Current organizational chart showing relationship of committees to the board and membership of each committee (cf., Section 1, Question 1).
- C. Major studies, if any (cf., Section 1, Question 4).
- D. Year-end organization charts for last four fiscal years. Each chart should include number of staff by classifications assigned to each major program area (licensing, enforcement, administration, etc.) (cf., Section 3, Question 15).



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CBA Item I.G.
January 18, 2018

Discussion and Possible Action to Seek an Upgrade to the Executive Officer Classification

Presented by: Deanne Pearce, Assistant Executive Officer

Purpose of the Item

The purpose of this agenda item is to discuss an upgrade for the California Board of Accountancy's (CBA) Executive Officer (EO) classification.

Consumer Protection Objectives

The EO is the principal operations officer of the CBA. The EO is responsible for interpreting and executing the intent of all CBA policies, and governs the management of the CBA's programs to meet its mission of consumer protection.

Action(s) Needed

The CBA will be asked to approve and direct staff to seek an upgrade to the EO position, changing the classification to a level that is appropriate for the size and complexity of CBA operations.

Background

During the November 2017 CBA meeting, the CBA discussed the EO's Annual Performance Evaluation. At the conclusion of that evaluation, the CBA provided direction to seek a salary increase for the EO, which can only be done through an upgrade to the classification level. The EO has been at the maximum salary level since her appointment to the position in 2008.

Comments

There has been significant growth and changes at the CBA over the past 10 years, which support an upgrade to the EO classification. In 2008, the CBA had 66 permanent positions which included seven management positions under the overall direction of the EO and an operating budget of approximately \$12 million. The CBA currently has 84.9 permanent positions, which includes 12 management positions, and additional temporary staff that are under the EO and an operating budget of \$14 million proposed for fiscal year (FY) 2018-19.

During the past 10 years, the licensee population has grown 20 percent, from 79,000 individuals and firms to over 100,000. A new registration category was created for out-

Discussion and Possible Action to Seek an Upgrade to the Executive Officer Classification

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of-state firms that coincided with the CBA's implementation of mobility in California. In addition to the significant increase in licensee population, the CBA had landmark changes to its CPA licensure requirements, changes to its continuing education requirements to ensure licensees are maintaining competency, and completed the retroactive fingerprinting of close to 30,000 licensees, assisting the CBA in meeting its consumer protection mission.

Further supporting an upgrade to the classification level are the changes to the Enforcement Program. Since 2008, the Enforcement Program has grown from 16 to 36.5 permanent positions and has realized a significant increase in the volume of enforcement-related activities, including complaints, investigations, discipline, and probationers.

In FY 2007-08, the CBA received 631 complaints. Just one year later, in FY 2008-09, the CBA received 875 complaints, representing a 40 percent increase. This upward trend continued each fiscal year through FY 2013-14 to 3,255 complaints, a 415 percent increase during this time. Since that time, the CBA has seen the number of complaints level off to around 2,500 complaints. This number is still a significant increase when compared to the total number of complaints received in 2008.

The CBA has also experienced a significant increase in the number of disciplinary matters it has taken over the past several fiscal years. In FY 2013-14, the CBA took action on 31 disciplinary matters. Just one year later, the CBA took action on 63 disciplinary matters. This trend continued over the next two fiscal years, with the CBA taking action on 83 matters in FY 2015-16 and 94 matters in FY 2016-17. This represents a 203 percent increase over this time.

In addition, the EO has successfully guided the CBA through two Sunset Reviews, multiple legislative changes and several rulemakings.

Below is a comparison of other Department of Consumer Affairs' (DCA) boards that are comparable in size and the levels of its EOs. In addition to the size of the board, the complexity of work related to the Licensing and Enforcement programs is taken into consideration when approving an upgrade to the EO classification.

Various Boards and Sizes	EO Salaries
Board of Vocational Nursing – 67.9 positions	\$8,942-\$10,259 (Level not listed on pay scale.)
Dental Board – 74.3 positions	\$8,942-\$9,960 (Level not listed on pay scale.)
Board of Barbering/Cosmetology – 82.1 positions	\$8,942-\$10,259 (Level not listed on pay scale.)
Board of Accountancy – 84.9 positions	\$9,836-\$10,962 (Level H)
Board of Pharmacy – 99.8 positions	\$10,054-\$11,200 (Level G)*

**DCA currently has a request that is pending review at the California Department of Human Resources (CalHR) regarding the salary for the Board of Pharmacy's EO. This request is due to its Assistant Executive Officer's maximum salary being higher than the maximum salary of its EO.*

Discussion and Possible Action to Seek an Upgrade to the Executive Officer Classification

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As identified in the above chart, the CBA's EO classification is at Level H. The next pay range reflecting an increase in salary is Level G. Once the CBA approves the upgrade to the EO position, a justification is sent to DCA's Human Resources Chief which details the CBA's complexity of work related to its Licensing and Enforcement programs. DCA's Office of Human Resources and Office of Board and Bureau Services will facilitate the request through the Business, Consumer Services, and Housing Agency, Governor's Office, and to CalHR for review and approval.

Should the request be approved, the CBA will then determine the process going forward to approve a salary increase within the new range, which can occur at the EO's annual evaluation. Further, the CBA will work within any new salary range to negotiate the pay when selecting a new EO.

Fiscal/Economic Impact Considerations

There will be a minor and absorbable fiscal impact dependent on any pay increase that may be approved once the classification upgrade is approved.

Recommendation

Based on the feedback provided at the annual EO Performance Evaluation that occurred at the November 2017 CBA meeting, and in consultation with DCA, it is recommended that the CBA direct staff to seek an upgrade to the EO classification to level G, which is consistent with its current operational structure and similar to the classification level of other state agencies with an EO position.

Attachment

Exempt Salary Chart

Exempt Salary Chart

July 2017

Exempt Category	Level Definitions	Salaries in Statute		CalHR Established Exempt Salaries				Civil Service Excluded		
		Monthly Salary	Annual Salary	Monthly Min.	Monthly Max.	Annual Min.	Annual Max.	Level Definition	Monthly Min.	Monthly Max.
I. Management Positions:										
A.	Cabinet	13,706.14	164,474					201,869		
	All Others at Level A			12,741	-	14,194	152,892	-	170,328	
B.	Tier II Department Director	12,855.41	154,265	13,343	-	14,430	160,116	-	173,160	
	All Others at Level B			11,952	-	13,316	143,424	-	159,792	
C.	Chair - Major Boards	12,288.35	147,460	11,425	-	12,726	137,100	-	152,712	
	Member - Major Boards	11,909.99	142,920	11,071	-	12,335	132,852	-	148,020	Legal & Medical 15,885
D.	Major Chief Dep. (CEA C Equiv.)			10,925	-	12,168	131,100	-	146,016	CEA C 10,688 - 12,136
E.	Tier I Department Director	11,342.83	136,114	12,707	-	13,743	152,484	-	164,916	
	All Others at Level E			10,545	-	11,746	126,540	-	140,952	
F.	CEA B Equivalent			10,320	-	11,498	123,840	-	137,976	CEA B 9,625 - 11,465
G.	Ex. Officers, Major Boards			10,054	-	11,200	120,648	-	134,400	
	Chair - Medium Boards	10,775.87	129,310	10,018	-	11,157	120,216	-	133,884	
H.	Maj. Dept. Deputy Director			9,839	-	10,962	118,068	-	131,544	
	Small DD & Mbr. Med. Bds.	10,397.89	124,775	9,666	-	10,764	115,992	-	129,168	
I.	Asst. Agency Secretary I			9,371	-	10,445	112,452	-	125,340	
J.	Asst. Director (Line Program)			8,942	-	9,960	107,304	-	119,520	CEA A 6,913 - 9,937
K.	Asst. Agency Secretary II			8,529	-	9,501	102,348	-	114,012	
L.	CEA A Equivalent			8,132	-	9,058	97,584	-	108,696	
M.	SSM III Equivalent			7,752	-	8,635	93,024	-	103,620	SSM III 7,593 - 8,621
N.	SSM II/III Equivalent			7,396	-	8,240	88,752	-	98,880	
O.	SSM II Equivalent			7,053	-	7,856	84,636	-	94,272	SSM II (M) 6,913 - 7,853
II. Non-management Positions								SSM II (S)	6,063	- 7,760
P1.				6,893	-	7,451	82,716	-	89,412	
P2.	SSM I (Supervisory) Equiv.			6,531	-	7,101	78,372	-	85,212	SSM I 5,523 - 7,068
P2A	SSM I (Non-supervisory)			6,265	-	6,726	75,180	-	80,712	
P3.				5,979	-	6,453	71,748	-	77,436	
P4.	Assoc./AA II Level			4,955	-	6,158	59,460	-	73,896	Assoc./AA 4,784 - 6,168
P5.	SSA - Rg. C/AA I			4,117	-	5,103	49,404	-	61,236	SSA Rg. C 3,977 - 5,129
P6.	SSA - Rg. B			3,438	-	4,241	41,256	-	50,892	SSA Rg. B 3,317 - 4,276
P7.	SSA - Rg. A			3,158	-	3,865	37,896	-	46,380	SSA Rg. A 3,063 - 3,953
P8.	Mgt. Svcs. Tech.			2,689	-	3,254	32,268	-	39,048	MST Rg. A 2,713 - 3,501
P9.	(Grad) Student Assistant			2,329	-	2,771	27,948	-	33,252	GSA Rg. A 1,956 - 2,635
Q1.	Executive Secretary II			3,694	-	4,623	44,328	-	55,476	Ex. Sec. II 3,576 - 4,609
Q2.	Executive Secretary I			3,310	-	4,332	39,720	-	51,984	Ex. Sec. I 3,283 - 4,236
Q3.	Secretary			2,946	-	3,762	35,352	-	45,144	Secretary 2,921 - 3,766



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CBA Item II.C.1.

January 18, 2018

Recommendations For Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee

Presented by: George Famalett, CPA, Vice-President

Purpose of the Item

The purpose of this agenda item is to recommend that Kevin Harper, CPA, (**Attachment**) be reappointed as Vice-Chairperson of the California Board of Accountancy (CBA) Peer Review Oversight Committee (PROC).

Consumer Protection Objectives

This agenda item ensures that the CBA continues its mission of consumer protection by appointing members that have the skills and knowledge to serve in a leadership capacity on the PROC.

Action(s) Needed

It is requested that the CBA adopt the recommendation.

Background

The PROC assists the CBA in an advisory capacity in its oversight of the Peer Review Program. The committee ensures that Board-recognized peer review program providers administer peer reviews in accordance with standards, evaluates applications to become a Board-Recognized Peer Review Program Provider, collects and analyzes statistical monitoring and reporting data from each Peer Review Provider on an annual basis, and prepares an Annual Report to the CBA regarding the results of its oversight.

Comments

For all appointments to a committee, including recommendations for Vice-Chairperson, I ensure that the appointment will contribute to the committee's function and enable it to carry out its mandated activities.

I also confer with the CBA Executive Officer to verify that the potential appointee has met the appropriate requirements for license renewal, including continuing education requirements and peer review (if subject). A check is also made to ensure there are no pending enforcement actions.

Recommendations For Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee

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For current members who are being reappointed, I review prior attendance records, verify completion of mandatory trainings, and review the evaluations that may have been completed by the current Chairperson, CBA member liaison, and the Enforcement Chief. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation. Should a member have attendance or performance issues, they may be subject to review and removal from the committee, at any time, by action of the CBA.

Prior to making a decision to recommend Mr. Harper be reappointed as Vice-Chairperson of the PROC, I performed all the steps previously mentioned. During Mr. Harper's term on the PROC he has exhibited a high level of professionalism during the performance of his duties and demonstrated that he has the skills and knowledge to serve in a leadership capacity, which will allow the PROC to continue to perform its mandated activities and assist the CBA with its Peer Review Program.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Based on the information above, I recommend that Kevin Harper, CPA, be reappointed as Vice-Chairperson of the PROC, effective January 1, 2018 until December 31, 2018.

Attachment

Curriculum Vitae of Kevin Harper, CPA

California Board of Accountancy
Report of the Secretary/Treasurer
Mark J. Silverman, Esq.

Discussion of the Governor's Budget

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with the proposed Governor's Budget for Fiscal Year (FY) 2018-19, which was released on January 10, 2018.

The CBA's proposed budget for FY 2018-19 is \$14,000,000, and reflects an increase from the FY 2017-18 budget, which is now set at \$13,935,000. The increase of approximately one-half percent is primarily due to a slight increase in personnel costs.

Although the FY 2017-18 budget was previously reported as \$13,463,000, it has been adjusted to \$13,935,000 primarily to accommodate increased personnel costs (employee compensation, benefits, and retirement).

The Governor's proposed budget must be approved by the Legislature. The Governor will subsequently review this budget during the May Revision. At that time he may veto various budgetary line-items in order to arrive at a final figure. The Legislature must pass the budget bill by June 15, 2018, at which time the Governor has 12 days to either sign the budget bill or return it to the Legislature. The budget then becomes effective on July 1, 2018.

CBA staff will be monitoring and analyzing any impacts that the Governor's revision may have on the final CBA budget for FY 2018-19. This information will then be presented to the CBA members at the July 2018 meeting.



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CBA Item III.B.
January 18, 2018

Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Section 70 – Fees

Presented by: Deanne Pearce, Assistant Executive Officer

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with proposed regulatory language to increase the initial license and license renewal fees to ensure the Accountancy Fund is maintained at a level which will provide sufficient resources for future years.

Consumer Protection Objectives

The CBA's statutory mandate is to ensure consumer protection. Ensuring the CBA maintains sufficient resources (both in funding and personnel) are necessary in carrying out this mandate.

Action(s) Needed

The CBA will be asked to approve the proposed regulatory language to increase the initial license and license renewal fees and direct staff to initiate the rulemaking process.

Background

At the November 2017 meeting, the CBA discussed its current and future Accountancy Fund level and corresponding months in reserve (MIR). MIR is a calculation of the number of months' of anticipated budgeted expenditures the CBA has in the Accountancy Fund Reserve. The Accountancy Fund level will decrease in future years as the CBA is working with a structurally imbalanced budget. Although the CBA is spending within its legislatively established budget, the revenues received are not sufficient enough to cover expenditures, creating a negative cash flow.

Without a fee increase the CBA's Accountancy Fund and corresponding MIR will continue to reduce. This will be further impacted by an increase in enforcement expenditures and the cost to transition the CBA from its current database.

To ensure there are sufficient resources for enforcement matters, to transition the CBA from its current database, and accommodate any budget change proposals, the CBA directed staff to prepare regulatory language reflecting an increase of the initial license and license renewal fee to \$250.

Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Section 70 – Fees

Page 2 of 3

Comments

As of July 1, 2017, the Accountancy Fund stood at \$31.7 million, or 26.9 MIR. This level was reached as a result of a lump sum payment from the General Fund to repay the CBA's prior General Fund loans. However, as demonstrated in **Attachment 1**, the Accountancy Fund, and corresponding MIR, level drops in future years as expenditures are outpacing revenues by approximately \$3.5 million to \$4 million per fiscal year.

Staff performed its due diligence in the review of the Accountancy Fund and believe an increase in the initial license and license renewal fees is necessary to:

- maintain a balance between revenues and expenditures,
- maintain an adequate MIR in future years,
- provide the necessary resources for the CBA to meet its consumer protection mandate,
- perform its enforcement responsibilities,
- transition the CBA from its current database, and
- ensure sufficient reserves exist for budget augmentations.

Further, as enforcement funding was a significant concern with the Legislature during the prior Sunset Review process and as the CBA will undergo Sunset Review in 2019, the CBA must be prepared for similar questions regarding its current and future budgetary solvency.

Presuming an effective date of July 1, 2019 for a fee increase to \$250, the CBA will slowly increase its MIR level enabling it to have sufficient resources in future years, as reflected on **Attachment 2**.

As fee changes are effectuated via the rulemaking process and must be approved by the Department of Consumer Affairs (DCA), Business, Consumer Services, and Housing Agency (BCSHA), the Department of Finance (DOF), and Office of Administrative Law, provided as **Attachment 3** is the proposed regulatory language reflecting the increased fees.

As part of the rulemaking process, a state agency must include any materials it relied upon in determining the need for and/or supporting the requested regulatory change. One of the items the CBA will be including in its rulemaking package and that was requested during the November CBA meeting is an analysis of the actual costs the CBA incurs to process license renewal applications and fees.

Based on a Supreme Court case in 2011, a government entity may charge a fee as long as it does not exceed the reasonable cost of providing services necessary to regulate the activity for which the fee is charged. This analysis will be provided at the hearing for CBA reference.

Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Section 70 – Fees

Page 3 of 3

Also requested at the November 2017 meeting was information regarding the workload that was used to project future revenue. On an annual basis, the CBA works with the DCA budget staff on workload and revenue statistics. The document identifies the actual workload for the prior four fiscal years and then uses that to estimate workload and revenue for the current fiscal year and the budget year (the upcoming fiscal year). These are only estimates.

Most commonly, the CBA uses a four year average and then increases it by three percent for budget year. At times, there are variations in this formula if there are anomalies in the workload in any given year. These are very conservative projections that are commonly used by DCA and DOF.

The proposed regulatory text also includes amendments to delete outdated provisions that are no longer applicable.

Fiscal/Economic Impact Considerations

An increase in the initial license and license renewal fees will eliminate the current unsustainable state of negative cash flow.

Recommendation

Based on direction from the Legislature, to ensure sufficient resources to fund unanticipated enforcement or litigation matters, and enable the CBA to transition to a new database system, staff recommend the CBA make a motion to:

- approve the proposed regulatory text in CBA Regulations section 70,
- direct staff to submit the text to the Director of DCA and the Business, Consumer Services, and Housing Agency for review; and
- if no adverse comments are received, authorize the Executive Officer to take all steps necessary to initiate the rulemaking process, make any non-substantive changes to the package, and set the matter for hearing.

Attachments

1. Fund Condition Level –Renewal Fee of \$120
2. Fund Condition Level – Renewal Fee of \$250
3. Proposed Regulatory Language for California Code of Regulations Section 70.

Fund Condition Level - Renewal Fee of \$120

0704 - California Board of Accountancy Analysis of Fund Condition

Attachment 1

2017 Budget Act

	ACTUALS 2016-17	CY 2017-18	BY 2018-19	BY+1 2019-20
BEGINNING BALANCE	\$ 12,591	\$ 31,789	\$ 28,216	\$ 24,592
Prior Year Adjustment	\$ 312	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 12,903	\$ 31,789	\$ 28,216	\$ 24,592
REVENUES AND TRANSFERS				
Revenues:				
4129200 Other regulatory fees	\$ 151	\$ 215	\$ 216	\$ 216
4129400 Other regulatory licenses and permits	\$ 4,401	\$ 4,549	\$ 4,549	\$ 4,549
4127400 Renewal fees	\$ 5,026	\$ 5,447	\$ 5,661	\$ 5,661
4121200 Delinquent fees	\$ 214	\$ 255	\$ 262	\$ 262
4143500 Miscellaneous services to the public	\$ 3	\$ 1	\$ 1	\$ 1
4163000 Income from surplus money investments	\$ 99	\$ 84	\$ 74	\$ 62
4150500 Interest from interfund loans	\$ 2,667	\$ -	\$ -	\$ -
4171400 Escheat of unclaimed checks and warrants	\$ 8	\$ 4	\$ 4	\$ 4
4172500 Miscellaneous revenues	\$ 3	\$ 27	\$ 27	\$ 27
Totals, Revenues	\$ 12,572	\$ 10,582	\$ 10,794	\$ 10,782
Transfers from Other Funds				
GF loan partial repayment per Item 1110-011-0704, BA of 2008	\$ 10,000	\$ -	\$ -	\$ -
GF loan partial repayment per Item 1110-011-0704, BA of 2010	\$ 10,000	\$ -	\$ -	\$ -
GF loan partial repayment per Item 1110-011-0704, BA of 2011	\$ 1,000	\$ -	\$ -	\$ -
Totals, Revenues and Transfers	\$ 33,572	\$ 10,582	\$ 10,794	\$ 10,782
Totals, Resources	\$ 46,475	\$ 42,371	\$ 39,010	\$ 35,374
EXPENDITURES				
Disbursements:				
8880 - FISCAL	\$ 18	\$ 19	\$ 19	\$ 19
9900 - Statewide General Administrative Expenditures (Pro Rata)	\$ 763	\$ 969	\$ 969	\$ 969
1110 Program Expenditures (State Operations)	\$ 13,905	\$ 13,167	\$ 13,430	\$ 13,699
Total Disbursements	\$ 14,686	\$ 14,155	\$ 14,418	\$ 14,687
FUND BALANCE				
Reserve for economic uncertainties	\$ 31,789	\$ 28,216	\$ 24,592	\$ 20,687
Months in Reserve	26.9	23.5	20.1	16.6

Attachment 2

California Board of Accountancy Fund Condition Statement (Dollars in Thousands)

Fund Condition Level - Renewal Fee of \$250

Renewal Fee and Initial Permit Fee		Current:	Proposed New Fee to Start July 2019					
		\$120	\$250.00					
				Start of Fee Increase				
		Actual FM13	Projected					
		Prior Year 2016-17	Current Year 2017-18	Budget Year 2018-19	2019-20	2020-21	2021-22	2022-23
BEGINNING BALANCE		\$ 12,591	\$ 31,789	\$ 28,216	\$ 24,592	\$ 27,510	\$ 27,639	\$ 27,476
Prior Year Adjustment		\$ 312	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 0
Adjusted Beginning Balance		\$ 12,903	\$ 31,789	\$ 28,216	\$ 24,592	\$ 27,510	\$ 27,639	\$ 27,476
REVENUES AND TRANSFERS								
Revenues:								
125600	Other regulatory fees	\$ 151	\$ 215	\$ 216	\$ 211	\$ 211	\$ 211	\$ 211
125700	Other regulatory licenses and permits	\$ 4,401	\$ 4,549	\$ 4,549	\$ 4,949	\$ 4,949	\$ 4,949	\$ 4,949
125800	Renewal fees	\$ 5,026	\$ 5,447	\$ 5,661	\$ 11,794	\$ 11,794	\$ 11,794	\$ 11,794
125900	Delinquent fees	\$ 214	\$ 255	\$ 262	\$ 546	\$ 546	\$ 546	\$ 546
141200	Sales of documents			\$ 0	\$ 0	\$ -	\$ -	\$ -
142500	Miscellaneous services to the public	\$ 3	\$ 1	\$ 1	\$ 3	\$ 3	\$ 3	\$ 3
150300	Income from surplus money investments	\$ 99	\$ 84	\$ 74	\$ 59	\$ 45	\$ 31	\$ 16
160400	Sale of fixed assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161000	Escheat of unclaimed checks and warrants	\$ 8	\$ 4	\$ 4	\$ 8	\$ 8	\$ 8	\$ 8
161400	Miscellaneous revenues	\$ 3	\$ 27	\$ 27	\$ 35	\$ 35	\$ 35	\$ 35
Totals, Revenues		\$ 9,905	\$ 10,582	\$ 10,794	\$ 17,605	\$ 17,591	\$ 17,577	\$ 17,562
Transfers from Other Funds								
F00001	GF loan repayment Loan of 2008, 2010 & 2011 Interest thru 7-1-2017	\$ 21,000						
		\$ 2,667						
Transfers to Other Funds								
T00001	GF loan per Item 1120-011-0704	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues and Transfers		\$ 33,572	\$ 10,582	\$ 10,794	\$ 17,605	\$ 17,591	\$ 17,577	\$ 17,562
Totals, Resources		\$ 46,475	\$ 42,371	\$ 39,010	\$ 42,197	\$ 45,100	\$ 45,216	\$ 45,037
EXPENDITURES								
Disbursements:								
8860	FSCU (State Operations)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0840	State Controller (State Operations)	\$ -	\$ -	\$ -				
9900	Statewide Pro Rata	\$ 763	\$ 969	\$ 969	\$ 969	\$ 969	\$ 969	\$ 969
8880	FISCAL	\$ 18	\$ 19	\$ 19	\$ 19	\$ 19	\$ 19	\$ 19
	BCP - Technology Enhancement ^[1]					\$ 2,500	\$ 2,500	
1110	Program Expenditures (State Operations) ^[2]	\$ 13,905	\$ 13,167	\$ 13,430	\$ 13,699	\$ 13,973	\$ 14,252	\$ 14,537
	Enforcement	\$ -	\$ -			\$ -		
	Fingerprinting	\$ -	\$ -			\$ -		
Total Expenditures		\$ 14,686	\$ 14,155	\$ 14,418	\$ 14,687	\$ 17,461	\$ 17,740	\$ 15,525
FUND BALANCE								
Reserve for economic uncertainties		\$ 31,789	\$ 28,216	\$ 24,592	\$ 27,510	\$ 27,639	\$ 27,476	\$ 29,512
Months in Reserve		26.9	23.5	20.1	18.9	18.7	21.2	23.9

NOTES:

[1] WORK HAS BEGUN ON TRANSITIONING THE CBA TO A NEW DATABASE SYSTEM. ANTICIPATED COSTS FOR TRANSITION ARE SPLIT BETWEEN TWO FISCAL YEARS.

[2] ASSUMES APPROPRIATION GROWTH OF 2% IN BY AND ONGOING.



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Attachment 3

Proposed Regulatory Language – CBA Regulations Section 70

Fees § 70. Fees.

~~(a)(1) From July 1, 2014 to June 30, 2016, the application fee for the computer-based Uniform Certified Public Accountant Examination shall be \$50 for issuance of the Authorization to Test to first-time applicants and \$25 for issuance of the Authorization to Test to repeat applicants.~~

~~(2) Commencing July 1, 2016, t~~The application fee for the computer-based Uniform Certified Public Accountant Examination shall be \$100 for issuance of the Authorization to Test to first-time applicants and \$50 for issuance of the Authorization to Test to repeat applicants.

~~(b)(1) From July 1, 2014 to June 30, 2016, the application fee for issuance of a certified public accountant certificate shall be \$50.~~

~~(2) Commencing July 1, 2016, t~~The application fee for issuance of a certified public accountant certificate shall be \$250.

~~(c)(1) From July 1, 2014 to June 30, 2016, the application fee for registration as a partnership or as a corporation, including registration under a new name as a partnership or as a corporation, shall be \$30.~~

~~(2) Commencing July 1, 2016, t~~The application for registration as a partnership or as a corporation, including registration under a new name as a partnership or as a corporation, shall be \$150.

~~(d)(1) From July 1, 2014 to June 30, 2016, the fee for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$50.~~

~~(2) Commencing July 1, 2016, t~~The fee for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$120 \$250 unless subsection (j) applies.

~~(e)(1) [Reserved]~~

~~(2) For licenses expiring between July 1, 2014 and June 30, 2016, the fee to be charged each applicant for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be \$50.~~

~~(3) For licenses expiring after June 30, 2016, t~~The fee for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be \$420 \$250 unless subsection (j) applies.

~~(f) The fee for the processing and issuance of a duplicate copy of a certificate of licensure or registration shall be \$10.~~

~~(g) The fee for processing and issuance of a duplicate copy of a registration, or permit or other form evidencing licensure or renewal of licensure shall be \$2.~~

~~(h)(1) The fee for submission of a Practice Privilege Notification Form pursuant to Business and Professions Code Section 5096 with an authorization to sign attest reports shall be \$100.~~

(2) The fee for submission of a Practice Privilege Notification Form pursuant to Business and Professions Code Section 5096 without an authorization to sign attest reports shall be \$50.

(3) This subsection shall be inoperative until January 1, 2019.

(i)(1) The fee to be charged a licensee for submission of an application for a license in a retired status pursuant to Section 15.1 shall be \$75.

(2) The fee to restore a license from a retired status to an active status shall be \$50.

~~(j) By May 31, 2015, the Board shall conduct a review of its actual and estimated costs. Based on this review, the Board shall determine the appropriate level of fees for the initial permit to practice pursuant to subsection (d) and renewal of the permit to practice pursuant to subsection (e) in order to maintain the Board's contingent fund reserve balance at an amount equal to approximately three months of estimated annual authorized expenditures. If the Board determines that fees of less than \$120 are indicated, the Board shall fix the fees by regulation at the indicated amounts by July 1, 2016.~~

Note: Authority cited: Sections 5010 and 5134, Business and Professions Code.

Reference: Sections 122, 163, 5070.1, 5096, and 5134 Business and Professions Code.



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CBA Item IV.B.
January 18, 2018

Review and Approval of Proposed Changes to the California Board of Accountancy's CBA Member Guidelines and Procedures Manual

Presented by: Deanne Pearce, Assistant Executive Officer

Purpose of the Item

The purpose of this agenda item is to provide an overview of the updates made to the California Board of Accountancy (CBA) CBA Member Guidelines and Procedures Manual (G&P Manual).

Consumer Protection Objectives

The purpose of this agenda item is to have clear guidelines and procedures that assists the CBA in its primary role of consumer protection.

Action(s) Needed

The CBA will be asked to approve the January 2018 version of the G&P Manual.

Background

The G&P Manual is designed to serve as a reference guide regarding the functions of the CBA and its committees, roles of CBA members, CBA leadership and committee members, and procedures for CBA and committee meetings. The G&P Manual includes, but is not limited to, summarizing existing law and policy of the CBA as it relates to the functions of the CBA, roles of CBA members and CBA leadership, CBA committees and task forces, representations on behalf of the CBA, training, expense reimbursement and other helpful resources to assist members in better understanding the responsibilities of their appointment.

Comments

Edits to the G&P Manual are identified by underline and strikethrough. The following highlights the substantive edits made to the G&P Manual:

Section I – The California Board of Accountancy

- Updated the number of licensees regulated by the CBA. (*Page 1*)
- Vice-President Duties (*Page 7*)
 - Removed wording to clarify that outreach duties are conducted by all CBA members.

Review and Approval of Proposed Changes to the California Board of Accountancy's Member Guidelines and Procedures Manual

Page 2 of 2

- Agenda (*Pages 7-8*)

Updated information on how CBA Leadership works with staff to develop the agenda.

Removed outdated language regarding the display of enforcement matters on an agenda.

- Webcast (*Page 9*)

Updated the information to reflect that all CBA meetings provide closed captioning on the webcast.

- Enforcement Program (*Pages 12-13*)

Updated information on the Enforcement Program.

Section II – CBA Committees and Taskforces

- Peer Review Oversight Committee (*Page 19*)

Updated the purpose to reflect additional role for the Peer Review Oversight Committee.

Other minor non-substantive changes were made to improve overall clarity.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff recommend that the CBA adopt the January 2018 version of the CBA G&P Manual and welcome any suggestions or edits.

Attachment

CBA Member G&P Manual

California Board of Accountancy

CBA Member

Guidelines and Procedures Manual

CALIFORNIA BOARD OF
ACCOUNTANCY

Updated

August 2017-January 2018



AMENDMENTS TO THE GUIDELINES AND PROCEDURES MANUAL
Formerly: BOARD OPERATIONS MANUAL

September 30, 1994
March 15, 1995
June 10, 1997
November 21, 1997
January 23, 1998
March 21, 1998
January 26, 2001
January 1, 2003
April 1, 2004

Revised and Restated
January, 2010

Amendments to the Guidelines and Procedures Manual

July 2012
January 2013
January 2014
January 2015
June 2015
January 2016
December 2016
February 2017
August 2017
January 2018

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SECTION I.

THE CALIFORNIA BOARD OF ACCOUNTANCY

Created in 1901, The California Board of Accountancy (CBA) licenses and regulates over 92,500 100,000 licensees including 95,548 Certified Public Accountants and 5,600 6,173 Accountancy firms, the largest group of accounting professionals in the nation.

By authority of the California Accountancy Act, the CBA:

- Ensures that only candidates who meet certain qualifications are allowed to take the national Uniform Certified Public Accountant (CPA) Examination.
- Certifies, licenses and renews licenses of individual CPAs and Public Accountants (PAs).
- Registers accountancy partnerships, ~~and~~ accountancy corporations, and out-of-state accountancy firms
- Takes disciplinary action against licensees for violation of CBA statutes and regulations.
- Monitors compliance with continuing education and peer review requirements.
- Reviews work products of CPAs, PAs and accountancy firms to ensure adherence to professional standards.
- Oversees mobility, out-of-state licensees and firms who exercise a practice privilege in California.

The CBA establishes and maintains entry-level standards of qualification and conduct within the accounting profession, primarily through its authority to license.

Through its Examination and Initial Licensure Programs, the CBA qualifies California candidates for the national Uniform CPA Examination (CPA Exam), certifies and licenses individual CPAs, and registers accountancy firms. The CBA's License Renewal and Continuing Competency Program focuses on license renewal, ensuring that licensees maintain a currency of professional knowledge to competently practice public accountancy.

Through its Practice Privilege program, the CBA oversees a no notice, no fee, ~~no-escape~~ authority for out-of-state licensed CPAs who meet specific conditions to practice public accountancy in California. The CBA registers out-of-state accounting firms and for certain individuals who do not meet the criteria to practice with no notice or obtains a disqualifying condition while practicing, the CBA reviews pre-notification and cessation notifications from licensees to determine whether they can be granted continued practice rights. Just like a California license, a practice privilege may be revoked, suspended, or otherwise disciplined. In addition, a practice privilege may be administratively suspended pending an investigation by the CBA. To ensure that the consumers of California are protected under this new program, the CBA maintains a website with any public information in its possession about individuals exercising a practice privilege in California. In addition, it contains a search mechanism by which consumers can find current license status information on out-of-state licensees.

The objective of the CBA Enforcement Program is to protect consumers, minimize substandard practice, and rehabilitate and discipline licensees, as warranted. The CBA has the authority to discipline not only individuals, but firms as well. Enforcement activities include investigating complaints against persons practicing public accountancy without a license and taking disciplinary actions against licensees for violations of statutes and regulations. The CBA's Enforcement

Program receives complaints from consumers, licensees, professional societies, law enforcement agencies, other government agencies, and internal referrals. While historically consumers and internal referrals have been the main origin of complaints, licensees also have been a significant source, most often reporting unlicensed activity. CBA members and staff also regularly monitor the news media for information regarding licensees that may suggest violations of the Accountancy Act.

In addition, the program monitors compliance with continuing education and peer review requirements, and it actively reviews the work products of CPAs, PAs and accountancy firms to ensure compliance with appropriate professional standards.

A. MISSION AND VISION OF THE CBA.

The Mission of the California Board of Accountancy is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

The Vision of the California Board of Accountancy is that all consumers are well informed and receive quality accounting services from licensees they can trust.

B. COMPOSITION (Ref. Business & Professions Code §§ 5000 & 5001(b)).

The CBA consists of 15 members, seven of whom must be certified public accountants, and eight of whom must be public members who are not licensees of the CBA.

The Governor appoints four of the public members and all of the licensee members with individuals representing a cross section of the accounting profession. The Senate Rules Committee and the Speaker of the Assembly each appoints two public members.

C. QUALIFICATIONS (Ref. Business & Professions Code §§ 5000.5 & 5001(a)).

Each public member of the CBA must not:

- Be a current or former licensee of the CBA
- Be an immediate family member of a licensee
- Be currently or formerly employed by a public accounting firm, bookkeeping firm, or firm engaged in providing tax preparation as its primary business
- Have any financial interest in the business of a licensee

Each licensee member of the CBA must:

- Currently be engaged in the practice of public accountancy for a period of not less than five years preceding the date of their appointment, except for the educator position authorized by Section 5001(b)

All members of the CBA must:

- Currently be a citizen of the United States and a resident of California for at least five years preceding the date of their appointment
- Be of good character
- Take and subscribe to the Oath of Office and file the Oath with the Secretary of State

D. CBA MEMBER RESPONSIBILITIES AND DUTIES (Ref. Business & Professions Code § 5000.1)

1. Responsibilities.

The CBA members are responsible for carrying out the mission of the CBA as delineated in Section I.A. of this manual. As noted in the CBA Strategic Plan (**Appendix 1**), protection of the public shall be the highest priority for the CBA in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount. In addition, members are to adhere to all statutory and regulatory requirements as well as all policies and procedures contained in this Guidelines and Procedures Manual.

2. Duties.

All members are to attend CBA meetings and consider volunteering to participate as CBA Liaison to at least one non-CBA member Committee and participate as a member of at least one of the following committees comprised of only CBA members:

- Legislative Committee
- Committee on Professional Conduct
- Enforcement Program Oversight Committee
- Strategic Planning Committee
- Other Committees and Task Forces

3. Mentoring.

The purpose of California Board of Accountancy (CBA) Mentor Guidelines is to assist new members in becoming familiar with the CBA structure, meetings, and present priorities.

When a new member is appointed to the CBA, a mentor shall be assigned by the CBA President and, when necessary, in consultation with the CBA Executive Officer. The mentor (which can be a former or current CBA member) will assist the new member in getting acclimated to his/her role on the CBA. This will include open discussion on any matter presently or previously discussed by the CBA (with the exception of closed session matters). This provides an opportunity for the new member to receive insight regarding the activities, history, and priorities of the CBA.

If the mentor is a current CBA member, s/he may wish to sit adjacent to the new member during his/her first CBA meeting and assist in providing guidance on the meeting materials and answer any procedural questions that may arise.

4. Executive Officer Evaluation.

Each November, members will complete an evaluation of the Executive Officer (EO). The CBA President will use the surveys to complete a written summary of the evaluations. The CBA has the option of meeting in closed session to discuss the Executive Officer's performance appraisal. The original evaluation is signed by the CBA President and EO and sent to the DCA Human Resources Office for placement in the EO's Official Personnel File.

In accordance with Government Code section 11126, the CBA may hold a closed session to consider complaints or charges brought against the EO or to consider the dismissal of the EO, unless the EO requests a public hearing. The CBA may deliberate on any decision to be reached on any of the aforementioned issues in a closed session. Any action taken must be publicly reported at a subsequent meeting. The CBA President should contact DCA Legal Counsel regarding proper compliance with Open Meeting Act requirements prior to considering any action.

E. TENURE (Ref. Business & Professions Code § 5002).

Each member is appointed for a term of four years and holds office until they are reappointed, a successor is appointed, or until one year has elapsed since the expiration of the term for which he/she was appointed, whichever occurs first.

No person shall serve more than two terms consecutively.

Vacancies must be filled by a person in the same capacity (public or licensee member) as the person being replaced.

The Governor must remove any licensee member whose permit to practice becomes void, revoked, or suspended.

Any member may, after an administrative hearing, be removed for neglect of duty or other just cause.

If a member is appointed to fill a vacant seat in what would be the middle of the previous member's term, the rest of that term does not count against the two term limit, as it is still defined as the previous member's term.

F. OFFICERS (Ref. Business & Professions Code §§ 5003, 5004 & 5007).

The officers of the CBA are President, Vice-President, and Secretary/Treasurer.

1. Election of Officers.

The process for the election of officers is as follows:

- At the September CBA meeting, the President shall inform members that the election of officers will be held at the November CBA meeting.
- Interested candidates are requested to prepare a one page written summary outlining their qualifications for the position for which they are applying, which will serve as a self nomination. Candidates are limited to being nominated for one officer position. The summary is to be sent to the Executive Analyst by a date determined by the Executive Officer and CBA President.
- The nominations shall be distributed as part of the agenda items for the November CBA meeting.
- At the November CBA meeting, the President shall ask if there are any additional nominations for the officer positions. Any member who is nominated may be given up to five minutes of floor time to describe why they are qualified for the position.
- After all nominations have been confirmed, the President will close nominations.
- The vote for officer positions shall be held in the following order: Secretary/Treasurer, Vice-President, and President.
- A roll call vote will be taken for each officer position nominee, starting in alphabetical order by the candidate's last name.
- Members can vote "Yes", "No", or abstain from the vote for each nominee.
- The first nominee to receive a majority vote will win the officer position.
- In the event none of the nominees receive a majority vote, the voting will continue until a majority vote is received. To assist in this process, the President may allow nominees to make a statement regarding their qualifications, within an established and reasonable time limit.
- The President, Vice-President, and Secretary/Treasurer serve one-year terms and may not serve more than two consecutive one-year terms. The newly elected President, Vice-President, and Secretary/Treasurer shall assume the duties of their respective offices at the conclusion of the annual meeting at which they were elected.

2. Vacancy.

In the event of a vacancy of the Vice President or Secretary/Treasurer prior to the annual election of officers, the CBA President shall make an interim appointment to fill the vacancy effective until the next election cycle. In the event of a vacancy of the President, the Vice President shall become the president.

3. Duties.

a. President.

The President shall perform general administrative duties, as well as the following:

- Preside over CBA meetings
- Approve the agenda and time schedule
- Appoint CBA members as Liaison to the Enforcement Advisory Committee (EAC) and Qualifications Committee (QC)
- Appoint CBA members to CBA committees and task forces
- Establish other CBA committees as needed
- Make decisions regarding CBA matters between meetings
- Coordinate the annual evaluation of the Executive Officer
- When necessary, make interim appointments to the EAC, Peer Review Oversight Committee (PROC) and QC, subject to ratification at the next CBA Meeting
- Monitor CBA Member attendance at CBA Meetings, and report issues to the Department of Consumer Affairs (DCA)
- Make interim appointments to the Vice-President and Secretary/Treasurer positions should they become vacant mid-term
- Assign travel expense claims to be reviewed internally by CBA staff for adherence to established travel guidelines and subsequently, delegate approval to DCA's Deputy Director, Board and Bureau Relations.
- Interface with the CBA staff regarding internal audit matters affecting the CBA. These matters include such issues as internal audit findings, requests for special reviews, and other related concerns or topics

b. Vice-President.

The Vice-President shall perform the following:

- Act in the absence of the President
- Review the EAC, PROC and QC members and recommend appointments and reappointments
- Perform any other duties as assigned by the CBA President
- Review and act upon time sensitive appeals to the CBA by CPA Licensure candidates

- ~~• Serve as the CBA “Ambassador, President” performing and coordinating outreach on behalf of the CBA members~~

c. Secretary/Treasurer.

The Secretary/Treasurer shall perform the following:

- Act as Liaison to the staff of the CBA for fiscal/budgetary functions and routinely report to the CBA regarding relevant matters. This includes reviewing the quarterly and year-end financial statements, in concert with the President. After review, the Secretary/Treasurer presents the financial statement to the CBA
- Perform other duties as requested by the CBA President

G. MEETINGS (Ref. Business & Professions Code §§ 5016 & 5017).

All meetings of the CBA and its committees, subcommittees and task forces are subject to the Bagley-Keene Open Meeting Act. This Act is summarized in a document developed by the DCA, and includes statutory requirements for conducting Teleconference and/or Emergency Meetings. **(Appendix 2)**

1. Frequency.

The CBA meets regularly during the year. The dates are normally established annually at the March meeting for the following calendar year.

2. Locations.

The CBA chooses locations that are ADA compliant and easily accessible to the public, applicants, and licensees. Pursuant to Business and Professions Code section 101.7, the CBA must meet at least three times each calendar year, once in Northern California and once in Southern California to facilitate participation by the public and its licensees. The CBA also recognizes its responsibility regarding the public’s concern for the judicious use of public funds when choosing meeting facilities and overnight accommodations.

3. Attendance.

Members are expected to attend all scheduled meetings of the CBA. Regular attendance ensures current knowledge of procedures and policies as well as an equitable sharing of duties and responsibilities.

Should a member miss two consecutive meetings, the CBA President may notify the Director of the DCA.

Arrival and departure times of each member are recorded in the CBA minutes.

4. Agenda.

The CBA President, with the assistance of the Executive Officer, shall prepare the agenda and tentative time schedule. ~~Any request not approved by the Executive Officer and CBA~~

~~President shall be included in a standing agenda item, "Agenda Items for Future CBA Meetings," for consideration and vote by the full CBA.~~

~~Except where an accusation or statement of issues has been filed, and with reference to disclosure of enforcement matters, it shall be the policy of the CBA that, meeting notices or other public documents of the CBA and its committees shall, when necessary, identify enforcement matters solely by case or investigation number.~~

The agenda mailing list shall include CBA members, committee, and task force chairs and vice-chairs, as well as those parties who have requested to be notified.

5. Notice Requirements.

The notice requirements defined by the Bagley-Keene Open Meeting Act are summarized in the guide provided by the DCA. **(Appendix 2)**

6. Closed Session.

Closed sessions, if conducted by an Administrative Law Judge (ALJ), may be attended by CBA members only, unless otherwise invited by the ALJ to remain. Those individuals the CBA President deems appropriate as dictated by a need for their expertise may attend all other closed sessions.

Matters that can be considered in closed session are defined by the Bagley-Keene Open Meeting Act.

7. Minutes.

~~Preliminary draft minutes are~~ Draft minutes are prepared and distributed to the CBA President, DCA Legal Counsel, ~~and~~ CBA members and are available for public viewing via the CBA website prior to the subsequent meeting. ~~Draft minutes are also available for public viewing via the CBA website.~~ During the CBA meeting, any necessary corrections are incorporated into the minutes and are then moved for adoption.

After adoption by the CBA, the minutes are signed by the CBA President and Secretary/Treasurer, bound by year, and retained in the CBA office as a public record of the CBA's activities. The minutes are also posted on the CBA website for at least three years.

8. Voting.

A majority of the CBA, which is 8 members, shall constitute a quorum for the transaction of any business.

a. Recording.

In accordance with California Government Code section 11123, after each motion, a roll call will be taken by the Executive Analyst. Member's names will be called and each member will state their vote for the motion as yes, no, or abstain. Each member's vote for the action, or the abstention or recusal of each member attending the

meeting, will be recorded in the minutes. Those absent are recorded after every motion unless the member is shown as absent for the entire meeting.

Excerpts from minutes must be accompanied by the first two pages of the same minutes that list those in attendance.

Subsequent modification to these procedures may be needed, as deemed appropriate and in accordance with the provisions of the Bagley-Keene Open Meeting Act.

b. Abstentions.

A CBA member will abstain from voting on an issue if for any reason a conflict of interest is or may be perceived to be present.

Abstentions do not prevent a motion from carrying. For example, if seven members vote in favor of a motion, six members vote against, and two abstain, the motion would carry.

c. Mail Votes.

Mail votes are not permitted except in disciplinary matters. The CBA has 100 days from the receipt by the CBA of a proposed decision by an ALJ to adopt or non-adopt the decision (Section 11517 (c) (2) California Administrative Procedure Act). A mail vote may be taken at the direction of the CBA President.

9. Webcast. (Ref. Business and Professions Code § 5017.5)

All CBA meetings are recorded, ~~and Webcast-webcast~~ live, and provide closed captioning.

10. Adjournment.

The CBA has delegated the adjournment of the meeting to the CBA President and the respective committee chairs. The CBA President and committee chairs will adjourn the meeting in accordance with the Bagley-Keene Open Meeting Act. If adjournment of the meeting is immediately after closed session, the meeting will be reconvened into open session prior to adjournment.

H. APPEALS TO THE CBA.

Applicants, who are aggrieved by any action taken by a committee or staff of the CBA as it relates to experience for CPA Licensure, can submit an appeal. Appeals should be submitted a minimum of 20 working days prior to a CBA meeting to be considered.

The CBA will not consider new information unless previously reviewed by the appropriate committee, subcommittee, task force, or staff.

Formal denials of licensure (Statement of Issues) will be handled in accordance with the appeals processes set forth in the Administrative Procedure Act (Government Code sections 11500 and following).

I. PETITION FOR REINSTATEMENT OR REDUCTION OF PENALTY.

Petitions must be received in a sufficient amount of time prior to any CBA meeting to allow processing and compiling of the information for CBA consideration. The CBA generally will hold a formal hearing, with an ALJ, to consider these matters. In some instances, the CBA may review only the written record and render a decision without a hearing. Only CBA members who are present for the entire hearing shall be permitted to vote.

J. PRESENTATIONS.

Individuals and/or groups wishing to make a formal presentation to the CBA are requested to notify the CBA office 20 working days prior to the meeting. This is not intended to preclude public comment on specific agenda items or on other general matters. If the CBA President approves the request and places the item on the agenda, presenters should provide any written material to supplement their presentations 14 days in advance of the meeting.

K. COMMITTEES AND TASK FORCES.

Committees and task forces, other than those created by statute, are established by the CBA President on behalf of the CBA. A CBA and committee roster is included as **(Appendix 3)**.

L. APPOINTMENTS TO THE EAC, PROC, QC, AND MSG.

New appointments and reappointments are made as needed, through the process outlined in the Committee Member Resource Guide. The Committee Member Resource Guide is located on the CBA's website. Opportunities to participate on a CBA committee is noticed in the CBA's newsletter, **UPDATE**, and on the CBA website.

M. RESPONSIBILITY OF CBA MEMBER LIAISONS TO COMMITTEES AND TASK FORCES.

CBA members acting as Liaisons to committees, task forces, or CBA programs are responsible for keeping the CBA informed regarding emerging issues and recommendations made at the committee or task force level. In addition, the Liaison is to keep the committee or task force informed of CBA policies and assignments, and to make recommendations to the CBA regarding chair and vice-chair appointments.

When there is a southern and northern Liaison appointed to a committee, the Liaisons should communicate between meetings to ensure they are kept abreast of any committee issues. This can be facilitated by the CBA staff liaison to the committee. Liaisons should also consider participating in one Investigative Hearing (Enforcement Advisory Committee) or Applicant/Employer interview (Qualifications Committee) annually, to provide the members with a clear understanding of the committees' functions.

Finally, Liaisons assigned to the committees will evaluate committee chairs, vice-chairs, and members for whom they have specific knowledge of their performance, and report those evaluations to the President and Vice-President as required.

N. EXAMINATION, LICENSURE, AND LICENSE RENEWAL PROGRAMS

The information below is being provided for CBA members to reference as it contains a brief overview of the process to receive and maintain a license in California.

1. Uniform CPA Examination.

The CPA Exam is administered throughout 55 jurisdictions, including the 50 states and the U.S. territories of District of Columbia, Guam, Puerto Rico, the Virgin Islands, and the Commonwealth of the Northern Mariana Islands.

Staff has delegated authority to the National Association of State Boards of Accountancy (NASBA) for maintaining a national computerized CPA examination candidate database that stores information for the 55 jurisdictions on candidate's eligibility to test. The CBA qualifies candidates and provides oversight and policy/procedural direction.

The examination is written and graded by the American Institute of Certified Public Accountants (AICPA).

A handbook for examination applicants regarding requirements to sit for the CPA Exam and the CBA's policies and procedures for exam candidates requesting accommodations for disabilities and medical considerations is included in this manual as **Appendix 4**.

2. Initial Licensing.

After passage of the CPA Exam, and fulfillment of the requisite experience, an applicant may apply for licensure. Approximately 3,600-applications are received each year and the CBA licenses approximately 3,400-individuals and 200 firms annually.

Applications are reviewed by staff, and if warranted, an employer may be asked to appear with work papers to substantiate the verification of experience (Form E) that was submitted on an applicant's behalf. This review is done by the QC. Individual applicants may also be required to appear before the QC to substantiate their experience if deemed necessary.

A handbook regarding licensure requirements is included in this manual as **Appendix 5**.

3. License Renewal and Continuing Competency.

Functions related to continuing education (CE) and the review of professional competence of licensees who practice public accountancy are included in the License Renewal and Continuing Competency Program. The primary function within the License Renewal and Continuing Competency Program is to ensure licensees have met California's renewal requirements.

At the time of license renewal, licensees are required to submit the license renewal application (documenting 80 hours of qualifying CE), a peer review reporting form, and remit the license renewal fee.

Additionally, licensees not previously fingerprinted for initial licensure or for whom the Department of Justice does not have an electronic record of the licensee's fingerprints must submit fingerprints for a state and federal level clearance if they are renewing in an active status and not actively serving in the military.

Two programs are used to monitor licensees' compliance with the CE requirements – the CE Worksheet Review Process and the CE Audit Program. With the CE Worksheet Review Process, staff review all licensees self-reported CE at the time of license renewal to ensure all CE requirements are met, while for the CE Audit Program, a licensee must submit substantiating documentation to demonstrate proof of completion for the reported CE.

The other CE-related program activities include approval of courses to qualify for the Regulatory Review requirement, and review of requests for extension of time or exemption from completion of CE.

A handbook for licensees is included in this manual as **Appendix 6**.

O. ENFORCEMENT PROGRAM.

The CBA receives and investigates approximately 2,700 complaints each year. CBA members will routinely see three different types of enforcement action, including:

~~1. Default Decisions~~

~~Default decisions are presented to the CBA whenever an accusation has been filed by the Executive Officer, and the named respondent has either failed to file a Notice of Defense, or failed to appear at a scheduled administrative hearing. The former is much more common, and default decisions occur in about 15 percent of the matters brought before the CBA.~~

~~Documents CBA members will receive with the agenda packets:~~

~~Accusation~~

~~Draft default decision~~

~~Transmittal memorandum that summarizes the causes for discipline and the CBA's costs invested in the case~~

~~Adoption of a default decision results in the revocation of the CPA's license, but **will not** result in the imposition of cost recovery.~~

~~2. Stipulated Settlements.~~

~~Stipulated settlements are presented to the CBA whenever an accusation has been filed by the Executive Officer and the parties involved on both sides agree to a draft stipulated settlement~~

that they believe to be appropriate for CBA review and consideration. The Executive Officer, Chief of Enforcement, and Investigative CPA collaborate in preparing appropriate proposals.

_____ Documents CBA members will receive with the agenda packets:

Accusation

Draft stipulated settlement

Letter from the Deputy Attorney General that supports the settlement

Transmittal memorandum that summarizes the causes for discipline and the CBA costs

Adoption will result in the imposition of whatever sanctions are reflected in the draft stipulated settlement. Non-adoption will result in either a revised draft stipulated settlement or the matter proceeding to administrative hearing.

CBA members are free to broadly discuss cases involving stipulated settlements with the Chief of Enforcement prior to taking action on a case. The CBA cannot unilaterally increase the discipline terms of a draft stipulated settlement, but it can provide guidance to the Chief of Enforcement regarding future settlement revisions.

_____ Stipulated settlements occur in about 75 percent of the matters brought before the CBA.

_____ 3. Proposed Decisions.

Proposed decisions are presented to the CBA after a contested accusation has proceeded through an administrative hearing and the administrative law judge has prepared a proposed decision.

_____ Documents CBA members will receive with the agenda packets:

Accusation

Proposed decision

Transmittal memorandum that summarizes the findings and proposed discipline reflected in the proposed decision

CBA members may ask DCA Legal Counsel procedural questions regarding matters that involve proposed decisions; but must otherwise take their action based upon “the record,” which includes the accusation and the ALJ’s proposed decision. Furthermore, the liaison Deputy Attorney General should not be present for the CBA’s discussion of proposed decisions.

Adoption of the proposed decision will result in imposition of whatever sanctions are reflected in the proposed decision. Nonadoption would generally result in the CBA’s later review of the hearing transcript and counsel’s arguments and then the CBA making a decision after nonadopt. The CBA could also adopt a proposed decision but reduce the penalty proposed by an ALJ, or remand a case back to an ALJ for further hearing and the taking of additional evidence.

Proposed decisions occur in about 10 percent of the matters brought before the CBA.

1. Default Decision

A default decision results when a licensee does not file a Notice of Defense or fails to appear at a scheduled administrative hearing. Adoption of the default decision will result in action being taken by the CBA. Non-adoption will result in the CBA's reviewing the evidence and making a decision based on the evidence. Pursuant to GC section 11520(c), a licensee may serve a written motion requesting the CBA to vacate the default decision. The CBA may grant this request and grant a hearing on a showing of good cause, as defined in the statute.

Default decisions occur in about 20 percent of the matters brought before the CBA. Documents CBA Members will receive with the agenda packets include:

- Accusation
- Draft Default decision and Investigatory Evidence Packet
- Transmittal memorandum from the DCA Legal Counsel that summarizes the causes for discipline.

During closed session, CBA Members may only ask procedural questions and must make their decision based on the evidence available. The CBA staff and liaison DAG are not present for the CBA's discussion on default decisions.

2. Stipulated Settlement

A stipulated settlement is a negotiated agreement between the Enforcement Division, with the assistance of the AG's Office, and the licensee where both parties agree on appropriate discipline to resolve the accusation. The Enforcement Division uses the CBA's Disciplinary Guidelines, adopted by the CBA, when drafting and negotiating stipulated settlements. The CBA must vote to approve all stipulated settlements. If the stipulated settlement is not adopted, the matter is referred back and it proceeds to hearing, unless another stipulation settlement is negotiated.

Stipulated settlements occur in about 75 percent of the matters brought before the CBA. Documents CBA Members will receive with the agenda packets include:

- Accusation
- Stipulated Settlement
- Letter from the DAG advocating the adoption of the settlement
- Transmittal memorandum from the Enforcement Chief that summarizes the allegations in the accusation, outlines the terms agreed to by the parties, and approximate costs incurred by the CBA in the investigation and prosecution of the matter

During closed session CBA Members are free to discuss cases involving stipulated settlements with the Enforcement Chief prior to taking action on a case. All decision rendered by the CBA must be based on the documents presented to the CBA members. The CBA cannot unilaterally increase the discipline terms of a draft stipulated settlement, but it can provide guidance to the Executive Officer and Enforcement Chief regarding future settlement revisions. Staff and the liaison DAG are present for the CBA's discussion of the stipulated settlement.

3. Proposed Decision

A proposed decision is a decision drafted by an ALJ after a contested accusation has proceeded through an administrative hearing. Adoption of the proposed decision by the CBA will result in imposition of whatever sanctions are reflected in the proposed decision. Non-adoption would generally result in the CBA's later review of the hearing transcript, requests for written arguments by the parties, and then the CBA reaching its own decision. The CBA could also adopt a proposed decision but reduce the penalty proposed by the ALJ, or remand a case back to an ALJ for further hearing and the taking of additional evidence.

Proposed decisions occur in about five percent of the matters brought before the CBA. Documents CBA Members will receive with the agenda packets include:

- Accusation
- Proposed decision
- Transmittal memorandum from DCA Legal Counsel that summarizes the findings and proposed discipline.

During closed session CBA Members may ask DCA Legal Counsel procedural questions regarding matters that involve proposed decisions, but must otherwise take their action based upon the record. The record consists of the proposed decision drafted by the ALJ and the Accusation. Staff and the liaison DAG are not present for the CBA's discussion of proposed decisions.

Some factors to consider when regarding an ALJ's proposed decisions are:

- a. Consider accepting an ALJ's proposed decision where:
 - i. The decision is based upon an assessment of the credibility of the witnesses.
 - ii. The law and ethical standards are interpreted correctly.
 - iii. The CBA is simply unhappy with the result but there are no legal problems with the decision.
 - iv. The costs of proceeding are so extreme in comparison with the severity of the offense and the probability of the success for the respondent is high.
 - v. The CBA does not approve the respondent's practices, but the prevailing standards at the time of the alleged violations did not prohibit such conduct.
- b. Consider non-adopting an ALJ's proposed decision where:
 - i. The record reflects the ALJ clearly abused his or her discretion.
 - ii. The ALJ was clearly erroneous in his or her application of the relevant standard of practice for the issues in controversy at the administrative hearing.
 - iii. The ALJ was clearly erroneous in his or her interpretation of the licensing law and/or implementing regulations.

- iv. The ALJ failed to interpret properly and/or to apply the appropriate ethical guidelines and standards to the specific facts of the case.
- v. The ALJ failed to understand the significance of the testimony of respondent with respect to the likelihood of future danger to the public.
- vi. The ALJ made the correct conclusions of law and properly applied ethical standards and rules of conduct, but the penalty is substantially less than is appropriate to protect the public.

P. CBA MEMBER CONFLICT OF INTEREST IN DISCIPLINARY MATTERS.

Individual CBA members should not vote and should not be present for discussions on any disciplinary matter in which they have a conflict of interest. CBA counsel should be contacted if you have a question of whether you have a conflict of interest in a particular case.

1. Investigative Consultants.

An Investigative Consultant is prohibited from working on any case where it is determined that he or she has a conflict of interest. CBA committee members may not be utilized in paid positions; e.g., investigative consultant or expert witness (\$100 per day per diem excluded).

2. Conflict of Interest Disclosure Statement.

In disciplinary matters the conflict of interest disclosure statement used by the Enforcement Advisory Committee members should be used as a guide for determining whether a CBA member should participate or vote in CBA deliberations. *Conflict of Interest information can be found in Section IV, beginning on page 26.*

In some instances the relationship or conflict is of such significance the member should not be present during the CBA's deliberations. In all other matters the same guidelines generally apply although the law and rules are less stringent.

If a CBA member believes there is a potential or perceived conflict, the CBA member is to disclose the facts to the full CBA and legal counsel to obtain a determination as to the level of participation permitted.

3. Exparte Communications.

Exparte communications in disciplinary matters are strictly prohibited. Should information come to a member's attention that is not part of the administrative record or if contact is made by any of the participants, the member should immediately contact legal counsel for advice. A case may not be discussed with any person, including CBA members, other than at the CBA meeting when the matter is scheduled for discussion. A limited exception to this policy is when a member is acting in a Liaison capacity on one or more specific cases. If acting as a Liaison, the member may not vote or be present during CBA deliberations. If there are two or more Liaison members, at least one should attend each meeting.

SECTION II.

CBA COMMITTEES AND TASK FORCES

The intent of all committees is to serve in an advisory capacity to the CBA. The Enforcement Advisory, Peer Review Oversight, Qualifications Committees, and Mobility Stakeholder Group (MSG) are statutory in nature, meaning their use is written into the Accountancy Act. All other committees are standing in nature, and may be created or dissolved at the CBA's discretion.

Each standing committee and/or task force shall have a Chairperson. The Chairperson is designated by the CBA President, and is tasked with running the committee/task force meeting. The Chair opens and closes the meeting, and counts the vote. The Chair is also responsible for coordinating with staff the creation of the minutes, and the presentation of those minutes to the CBA. CBA members who wish to attend standing committee meetings, but are not a part of the committee, may do so. However, pursuant to the Bagley-Keene Open Meetings Act, if the CBA member's presence at the committee meeting would constitute a CBA quorum, they may make no comment, vote on any agenda item, or sit at the table with the committee.

Each year at the November CBA meeting, the President shall inform CBA members that if they wish to participate on a committee for the following year, they must submit written notice to the Executive Analyst. The Executive Analyst will then compile the list of interested parties, and supply it to the President in December. The President, at their discretion, will then make appointments to CBA committees effective the first of January, the following year.

Each statutory committee shall have a Chairperson and Vice Chairperson. Recommendations for each are made by the CBA Vice President and approved by the CBA. The Chairperson is tasked with running the committee meeting, open and closing the meeting, and counting the votes. The Chair is also responsible for coordinating with staff the creation of the minutes for approval by the committee and CBA. The Vice Chairperson assists the Chairperson, when necessary, and assumes the Chairperson's functions in his or her absence. Appointments to the MSG are made by the CBA President.

Statutory committees are advisory in nature and are not policy setting committees. Prior to any statutory committee discussing or taking action on a policy related issue, the Chairperson, Vice Chairperson, or other designee should present the issue before the CBA for input and direction.

A. STATUTORY COMMITTEES (Ref. Business & Professions Code §§ 5020, 5023, 5024, and 5096.21).

1. Enforcement Advisory Committee (EAC).

a. Purpose.

To assist the CBA in an advisory nature with its enforcement activities by:

- Serving in a technical advisory capacity to the Executive Officer and the Enforcement Program. The EAC members may participate in investigative hearings along with staff investigators; counsel from the Attorney General's Office and where appropriate, outside counsel.

- In an appropriate manner, consistent with the Administrative Procedure Act, reporting its findings from any investigation or hearing to the CBA, or upon direction of the CBA, to the Executive Officer.
- Reviewing open investigations upon request by Enforcement staff and providing technical assistance.
- Reviewing closed investigations and reporting its findings and recommendations to the CBA or upon direction of the CBA, to the Executive Officer.
- Making recommendations and forwarding reports to the CBA for action on any matter on which it is authorized by the CBA to consider.

b. Membership.

The EAC is comprised of up to 13 licensees.

c. Meetings/Minutes.

The EAC meets approximately four times annually, generally for one day each meeting. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

2. Peer Review Oversight Committee (PROC)

a. Purpose.

To act as an advisory committee and assist the CBA in its oversight of the Peer Review Program by:

- Holding meetings as necessary in order to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.
- Ensuring that Board-recognized peer review program providers (Provider) administer peer reviews in accordance with the standards set forth in Title 16, California Code of Regulations Section 48:
 - Conduct an annual administrative site visit.
 - Attend peer review board meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Attend peer review committee meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Attend meetings conducted for the purposes of accepting peer review reports, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Conduct reviews of peer review reports on a sample basis.
 - Attend, on a regular basis, peer reviewer training courses.

- Evaluating any *Application to Become A Board-recognized Peer Review Provider* and recommending approval or denial to the CBA.
- Referring to the CBA any Provider that fails to respond to any request.
- Collecting and analyzing statistical monitoring and reporting data from each Provider on an annual basis.
- Preparing an Annual Report to the CBA regarding the results of its oversight.
- Evaluate the Peer Reviewer Population.

b. Membership.

The PROC is comprised of 7 licensees.

c. Meetings/Minutes.

The PROC meets approximately four times annually, generally for one day each meeting. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

3. Qualifications Committee (QC)

a. Purpose.

To act as an advisory committee and assist the CBA in its licensure activities by:

- Conducting work paper reviews of experience of applicants appearing before the committee.
- Interviewing employers that appear before the committee under the provision of Section 69, of the Accountancy Regulations.
- Making recommendations and forwarding reports to the CBA for action on any matter on which it is authorized to act.

b. Membership.

The QC is comprised of 13 licensees.

c. Meetings/Minutes.

The QC meets approximately four times annually, generally for one day each meeting. An additional Section 69 review may be conducted by QC members approximately one month prior to each committee meeting for those employers not in the geographic area of the upcoming QC meeting. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

4. Mobility Stakeholder Group.

a. Purpose.

To consider whether the provisions of the practice privilege law are consistent with the CBA's duty to protect the public, and whether the provisions of the practice privilege law satisfy the objectives of stakeholders of the accounting profession in this state, including consumers.

b. Membership.

- Two members of the CBA.
- Two representatives of the accounting profession.
- Two consumer representatives.
- One CBA enforcement staff.

c. Meetings/Minutes.

All meetings of the MSG are subject to the Bagley-Keene Open Meeting Act. The MSG chooses locations that are ADA compliant and easily accessible to the public, applicants, and licensees. The MSG will alternate its meeting locations between Northern California and Southern California to facilitate participation by the public and its licensees. The CBA also recognizes its responsibility regarding the public's concern for the judicious use of public funds when choosing meeting facilities and overnight accommodations. Minutes will be prepared from the meeting, and presented to the CBA for acceptance.

5. Other Committees.

The CBA may create and appoint other committees consisting of certified public accountants in good standing of this State or other qualified interested parties, who may but need not be members of the CBA for the purpose of making recommendations on such matters as may be specified by the CBA.

B. STANDING, AD HOC, and OTHER COMMITTEES/TASK FORCES.

1. Committee on Professional Conduct (CPC).

a. Purpose.

To assist the CBA in consideration of issues relating to professional conduct by:

- Considering and developing recommendations on issues that apply to the practice of public accountancy and affect consumers.
- Considering, formulating, and proposing policies and procedures related to emerging and unresolved issues.

- Reviewing selected exposure drafts and developing recommendations to present to the CBA.

b. Membership.

The CPC may be comprised of up to seven CBA members.

c. Meetings/Minutes.

The CPC generally meets before scheduled CBA meetings. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

2. Enforcement Program Oversight Committee (EPOC).

a. Purpose.

To assist the CBA in the consideration of issues relating to the Enforcement Program by:

- Reviewing and proposing revisions to the CBA's *Manual of Disciplinary Guidelines and Model Disciplinary Orders*.
- Providing oversight on enforcement goals and objectives.
- Recommending proposed legislative and/or regulatory changes related to the Enforcement Program.
- Performing an internal audit of a closed and finalized enforcement case when specific concerns are raised by the CBA in a final decision, in accordance with established guidelines **(Appendix 7)**.
- Defining the responsibilities of the CBA member liaison to the Enforcement Advisory Committee.

b. Membership.

The EPOC may be comprised of up to seven CBA members.

c. Meetings/Minutes.

The EPOC generally meets before scheduled CBA meetings as deemed necessary. Meetings to review the CBA's Disciplinary Guidelines shall be held on a tri-annual basis. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

3. Legislative Committee (LC).

a. Purpose.

To assist the CBA in its activities by:

- Reviewing, recommending, and advancing legislation relating to consumer protection and the practice of public accountancy.
- Coordinating the need for and use of CBA members to testify before the Legislature.

b. Membership.

The LC may be comprised of up to seven CBA members.

c. Meetings/Minutes.

The LC generally meets before scheduled CBA meetings. The frequency of the meetings is determined by the urgency of the issue(s) at hand and as required by the Chair. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

4. Strategic Planning Committee (SPC).

a. Purpose.

To assist the CBA in the development and implementation of the CBA Strategic Plan by:

- Assisting with and overseeing the development of the CBA Strategic Plan on a triennial basis.
- Reviewing progress on completing goals and objectives outlined in the CBA Strategic Plan.
- Reporting updates to the CBA on a yearly basis, on the progress of the Strategic Plan.

b. Membership.

- The SPC may be comprised of up to seven CBA members.

c. Meetings/Minutes.

- The frequency of the meetings is at least once per year, or as required by the Chair. Minutes are prepared from the meeting and presented to the CBA for acceptance.

5. Task Forces.

Under the CBA's General Authority, the CBA may create Task forces, which are temporary and terminate at a prescribed time. Task forces may be comprised of CBA members, licensees, staff, and the general public. For a list of all current task forces, refer to the latest CBA and Committee roster. **(Appendix 3)**

6. National Committees.

The CBA encourages its members to participate in national committees, including committees of the American Institute of Certified Public Accountants (AICPA) and National Association of State Boards of Accountancy (NASBA). Members are presented with information on committee participation and an interest form each year during the March CBA meeting. **Appendix 8** includes a link to NASBA and AICPA national committees and information on participation.

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SECTION III.

REPRESENTATIONS ON BEHALF OF THE CBA

A. USE OF CBA STATIONERY.

Only correspondence that is transmitted directly by the CBA office may be printed or written on CBA stationery. Any correspondence from a CBA, committee, or task force member requiring use of CBA stationery or California Board of Accountancy/Department of Consumer Affairs logo or emblem, should be transmitted to the CBA office for finalization and distribution. Any correspondence transmitted directly from a CBA, committee, or task force member must be printed or written on their personal, firm, or business stationery.

Members have the option of obtaining a CBA email account solely for the purpose of conducting CBA board-related business. Members obtaining a CBA email account are subject to the provisions identified in DCA Policy ISO 0501, regarding Acceptable Use of Information Technology Systems. A copy of the policy will be provided upon request for a CBA email account. It should be noted that personal and business email accounts, if also used for CBA business, could be subject to subpoena or discovery in litigation.

B. TESTIMONY BEFORE THE LEGISLATURE.

Primary responsibility for testifying before the Legislature is the responsibility of the ~~Executive Officer~~ CBA President and ~~CBA President~~ Executive Officer, or their designee, as delegated by the CBA. Members are also asked to participate as deemed necessary by the President.

C. PUBLIC AND MEDIA RELATIONS.

It is important that the consumers of California have information regarding the activities, responsibilities, and mission of the CBA. This information must be disseminated properly and responsibly. Information is conveyed to consumers, licensees, examination applicants, constituents, and other stakeholders by two mechanisms: responding to inquiries, and initiating the release or communication of information. Nearly all information to consumers and the general public is communicated through the Internet, e-mail, and the news media; other information is conveyed by professional organizations, such as consumer advocacy groups, other regulatory entities, and professional society publications.

It is the CBA's policy to provide the public with as much information as possible about its activities in a manner that is both objective and factual. For example, the CBA's tri-annual publication, **UPDATE**, and the CBA's website list disciplinary actions taken against licensees. This information provides the name and locality of the licensee, the license number, the cause for discipline, the effective date of discipline, and the code violation(s) that were cited in the findings.

The CBA's website also has a License Lookup feature. Consumers and licensees can check the status of California licensed individuals, partnerships, corporations, and out-of-state

accounting firms registered in California. The License Lookup feature also provides consumers a link to search out-of-state licensed CPAs.

Statements to the News Media: To establish a foundation for accurate news coverage regarding CBA activities, statements to the news media by the Executive Officer, the CBA President, or their designee, are to be confined to matters of procedure and matters of fact already on the record. All information conveyed must be fact, not opinion. Editorializing or interpreting the facts of a situation is inappropriate and can lead to misunderstandings and misinformation.

When queried about matters under investigation, in which an Accusation has not been filed, it is the policy of the CBA for the spokesperson to state: "It would be premature to discuss any matter that may or may not be under investigation by the CBA."

D. NEWS RELEASES.

The CBA issues three categories of news releases:

- Declarations of disciplinary actions when the CBA deems such an action necessary or desirable
- Information about CBA actions, findings, or other facts or details related to matters in which the consumers of California are clearly involved
- Information about the CBA's policies, actions, activities, or programs which may affect the consumers of California

The authority for issuing news releases relating to routine CBA business and notice of disciplinary actions resides with the Executive Officer and CBA President, who decide jointly whether a news release is appropriate.

News releases, information in **UPDATE** and on the website reporting actions by the CBA during closed session relating to disciplinary cases, may not be released for a period of 30 days, pending appeal by the respondent. If a writ of mandate is filed within the 30 days, the disciplinary action will still be published unless a stay order is issued by the court. In all instances, the composition of the vote of CBA members in closed session is not a matter of public record.

The content of each news release will determine the course of review the document must take. The Executive Officer, in consultation with the CBA President, will identify those parties to review each news release and identify the responsible party to draft the news release. While legal counsel will review the material prior to dissemination, final review, and authority to disseminate the news release is the charge of the CBA President or his or her designee.

E. RESPONDING TO INQUIRIES.

All technical, license, or disciplinary inquiries to a CBA, committee, or task force member from applicants, licensees, or members of the public should be referred to the Executive Officer. Contact of a CBA, committee, or task force member by a member of the news media should be

referred to the Executive Officer.

F. SPEAKING ENGAGEMENTS.

CBA, committee, and task force members sometimes are requested to make presentations before various organizations regarding CBA business or activities. Such requests must be approved by the CBA President or the Executive Officer. A written list of topics the speaker intends to present must be provided prior to the presentation.

G. UPDATE (Reference Business and Professions Code section 5008).

The CBA issues a tri-annual periodical publication **UPDATE**. This publication serves as a communication link between the CBA, its licensee population, and other interested parties.

All articles and any information offered for submission to the **UPDATE** for publication should be submitted to the **UPDATE** staff managing editor. All material, including informational or instructive articles, notices, forms, proposed statutory or regulatory language, or any other information for publication should be presented in final form. Upon receipt, all material will be reviewed by the **UPDATE** staff, appropriate CBA division managers and the Executive Officer, and subsequently forwarded to DCA's Communications and Education Division, Legal Office and Executive Office for review before publication. Issues of **UPDATE** are also posted on the CBA's website.

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SECTION IV.

BOARD MEMBER REQUIRED TRAINING AND FORMS

California law requires various training and forms be completed by those who are appointed to positions within State of California Government. The training and forms are necessary to ensure members are aware of, and adhere to, the applicable laws surrounding conflict of interest, ethics, sexual harassment prevention, and defensive driving.

In addition to the required training, the Department of Consumer Affairs also requires new members to attend a Board Member Orientation session.

A. CONFLICT OF INTEREST - GENERAL GUIDELINES.

The Political Reform Act of 1974 (Proposition 9), as it governs conflicts of interest, was primarily designed to prevent persons from financially benefiting by virtue of their official position.

This act requires state agencies to adopt a Conflict of Interest Code that outlines the specific responsibilities of CBA members and employees in that agency. There are two major aspects of the Political Reform Act included in the Conflict of Interest Code: one refers to disqualification, the other to financial disclosure. CBA members have responsibilities under each of these aspects which are separately discussed.

DCA also has an on-line resource center for board members where information regarding conflict of interest can found at:

http://www.dcaboardmembers.ca.gov/member_info/conflict_interest.shtml

1. Disqualification.

Government Code Section 87100 sets forth the general prohibition: "No public official at any level of state or local government shall make, participate in making or in any way attempt to use his official position to influence a governmental decision in which he knows or has reason to know he has a financial interest."

Any CBA member who has a financial interest must disqualify himself/herself from making or attempting to use his/her official position to influence the decision. The question of whether a CBA member has a financial interest that would present a legal conflict of interest is a complex one and must be decided on a case-by-case review of the particular facts involved. For more information on disqualifying yourself due to a possible conflict of interest, please refer to the Fair Political Practice Committee's manual, located on their website. <http://www.fppc.ca.gov/index.php?id=37>

2. Financial Disclosure.

The Conflict of Interest Code also requires all CBA members to file annual financial disclosure statements. This is accomplished by submitting a Form 700 – Statement of Economic Interests (**Appendix 9**). New CBA members are required to file a disclosure

statement within 30 days after assuming office; or, if subject to Senate confirmation, 30 days after being appointed or nominated. Annual financial statements must be filed not later than April 1 of each year.

A "leaving office statement" must also be filed within 30 days after an affected CBA member or other official leaves office.

CBA members are not required to disclose all their financial interests. Government Code Section 87302(b) indicates when an item is reportable:

An investment, interest in real property, or income shall be made reportable by the Conflict of Interest Code if the business entity in which the investment is held, the interest in real property, or the income or source of income may foresee ably be affected materially by any decision made or participated in by the designated employee by virtue of his or her position.

To determine what investments, interests in property or income must be reported by a CBA member, reference should be made to the DCA's Conflict of Interest Code. Questions concerning particular financial situations and related requirements should be directed to the DCA's Legal Office. More information is also available on DCA's website, http://www.dca.ca.gov/publications/coi_regs.pdf

3. DCA's Policy: Incompatible Activities (Reference Government Code Section 19990).

The following is a summary of the employment, activities, or enterprises, which might result in, or create the appearance of being inconsistent, incompatible, or in conflict with the duties of state officers:

- Using the prestige or influence of a state office or employment for the officer's or employee's private gain or advantage, or the private gain or advantage of another.
- Using state time, facilities, equipment, or supplies for the officer's or employee's private gain or advantage, or the private gain or advantage of another.
- Using confidential information acquired by virtue of state employment for the officer's or employee's private gain or advantage, or the private gain or advantage of another.
- Receiving or accepting money, or any other consideration, from anyone other than the state for the performance of an act which the officer or employee would be required or expected to render in the regular course or hours of his or her state employment or as a part of his or her duties as a state officer or employee.
- Performance of an act in other than his or her capacity as a state officer or employee knowing that such an act may later be subject, directly or indirectly, to the control, inspection, review, audit, or enforcement by such officer or employee or the agency by which he or she is employed. [This, of course, would not preclude an "industry" member of a CBA or commission from performing the normal functions of his or her occupation.]

- Receiving or accepting, directly or indirectly, any gift, including money, any service, gratuity, favor, entertainment, hospitality, loan, or any other thing of value from anyone who is doing or is seeking to do business of any kind with the state or whose activities are regulated or controlled in any way by the state, under circumstances from which it reasonably could be inferred that the gift was intended to influence him or her in his or her official duties or was intended as a reward for any official action on his or her part.
- The aforementioned limitations do not attempt to specify every possible limitation on employee activity that might be determined and prescribed under the authority of Section 19990 of the Government Code. DCA's Incompatible Work Activities Policy and Procedure OHR 10-01 is included in **Appendix 10**. This policy acknowledgement is required when a member is initially appointed.

B. ETHICS TRAINING REQUIREMENT

With the passage of Assembly Bill 2179 (1998 Chapter 364), state appointees and employees in exempt positions are required to receive an ethics orientation within the first six months of their appointment and every two years thereafter. To comply with that directive you may either complete the interactive training on the website of the Office of the Attorney General or view an interactive video available upon request. Ethics training information may be found at: http://www.dcaboardmembers.ca.gov/training/ethics_orientation.shtml

C. SEXUAL HARASSMENT PREVENTION TRAINING

In accordance with the DCA Sexual Harassment Prevention (SHP) Policy (EEO 12-01), **(Appendix 11)** and to ensure compliance with Assembly Bill (AB) 1825 (Reyes, Chapter 933, Statutes of 2004), all DCA employees are required to receive biennial Sexual Harassment Prevention training. The training is mandatory for Rank and File Employees, Temporary Employees (Retired Annuitants, Proctors, Seasonal Employees, and Student Assistants), Managers, Supervisors, Board, Committee Members, and Commission Members. The SHP training titled *Preventing Harassment and Other EEO Issues at Work: It's All About Respect (AB 1825 Compliance)* offers real life scenarios and interactive question and answer segments. DCA requires that all employees complete Sexual Harassment Prevention Training within six months of appointment and in every odd calendar year. Training is offered via webinars or in a classroom.

D. DEFENSIVE DRIVERS TRAINING REQUIREMENT

Pursuant to the State Administrative Manual, all State employees, which includes Board and Committee Members, who drive a vehicle on official state business must complete the Department of General Services approved Defensive Driver Training (DDT) within the first six months of their appointment and every four years thereafter. Defensive Driver Training information may be found at: <http://www.dgs.ca.gov/orim/Programs/DDTOnlineTraining.aspx>

E. BOARD MEMBER ORIENTATION TRAINING

Newly appointed and reappointed members are required to attend a Board Member Orientation session within one year of assuming office. The orientation covers the information member previously mentioned regarding required training, in addition to covering other topics that will ensure a members success, including an overview of DCA, the Bagley-Keene Open Meetings Act, the Discipline Process, and the Administrative Procedure Act. This training is in addition to a CBA specific orientation provided by CBA staff.

DCA also maintains a website which serves as a resource center for board members. The website link is provided in **Appendix 12**.

SECTION V.

EXPENSE REIMBURSEMENT

A. PER DIEM AND TRAVEL.

1.—Board Member Travel

CBA staff is always available to assist members with any CBA-related travel arrangements including air or train transportation, car rental, and any lodging. ~~that is not associated with a board/committee meeting room block.~~ If a CBA member chooses to coordinate their own travel arrangements, they should use CalTravelStore's online portal www.concur.com to book their travel. Member's Concur accounts will be setup by CBA staff using the member's personal email address and a temporary password, which will be sent to you via email by the CBA Board Relations Analyst. Prior to travel, members will need to update the temporary password and add any applicable information, including rewards/frequent flyer traveler information and TSA Pre ✓Known Traveler Number.

More information regarding CalTravelStore can be found at:
<http://www.caltravelstore.com>.

CBA members are also encouraged to utilize the most economic source of transportation available. For example, if there is a shuttle from the airport to the hotel available, it is not fiscally responsible to rent a car or take a taxi. To ensure full reimbursement of travel costs, requests for using a less economical mode of transportation should be submitted prior to travel to the Board Relations Analyst.

2. Lodging for Board/Committee Meeting.

Approximately four weeks before CBA and Committee meetings, the Executive Analyst will send out a memorandum detailing the name and address of the chosen hotel where a room block has been setup for lodging. Each member must contact the hotel directly to secure a room reservation. CBA staff is available to assist CBA members in making travel reservations, or members are free to coordinate them on their own.

3. Reimbursement for Travel and Per Diem expenses.

All new CBA members are provided with an electronic copy of the Per Diem and Travel Expense Worksheet when they are appointed. A paper copy is also available at all meetings. **(Appendix 13)**. Please complete the worksheet, and return it to the CBA office as soon as possible following the CBA meeting. Staff cannot process your Per Diem and travel expense claim without it. A few key notes regarding the completion of the form:

- The form is actually two forms in one. The top section authorizes the payment of Per Diem of \$100 per day; the bottom section is where CBA members claim expenses for reimbursement.

- Please make sure to complete the time section of the Travel Expense Claim. Breakfast, lunch, dinner, and incidental payments all correspond to the time the traveler left and arrived at travel headquarters.
- In order to complete your travel expense claim, you must submit the original copy of all receipts, with the exception of meals. This includes a copy of your airline itinerary and hotel receipt. Please make sure that the hotel receipt you submit has a zero balance. DCA will NOT pay any receipts that show a balance due.
- When requesting reimbursement for personal vehicle mileage, you must include where the trip originated from, where it ended, and the license plate number of the vehicle. For example, enter From: Home, 123 Green Street, Sacramento, CA 95815 To: CBA Office, 2450 Venture Oaks Way, Sacramento, CA 95833.
- CBA members shall have CBA President pre-approval for all travel and per diem reimbursement, except for regularly scheduled board and committee meetings to which a CBA member is assigned. CBA members will be reimbursed for per diem and travel expenses incurred while performing approved board business in accordance with State-mandated requirements and reimbursement criteria.

Travel expenses are reimbursed in accordance with the policies found within the California Code of Regulations, Title 2 (Personnel Administration), Division 1 (Administrative Personnel), Chapter 3 (Department of Personnel Administration), Subchapter 1 (General Civil Service Rules), Article 2 (Travel Expenses), and employee Memoranda of Understanding (MOU).

The Department of Consumer Affairs has compiled a guide to assist in interpreting the various policies, which is what CBA staff use when processing travel expense claims. The DCA Travel Guide is provided as **Appendix 14**.

SECTION VI.

COMMONLY USED ACRONYMS

AAA	American Accounting Association
AB	Assembly Bill
AEO	Assistant Executive Officer
AG	Attorney General
AICPA	American Institute of Certified Public Accountants
ALD	Accountancy License Database
ALJ	Administrative Law Judge
APA	Administrative Procedure Act
BCSHA	Business, Consumer Services, and Housing Agency
BPC	Business and Professions Code
BreEZe	DCA's New Automated On-Line Licensing System
CA	Chartered Accountant
CAC	Compliance Assurance Committee (NASBA)
CalCPA	California Society of Certified Public Accountants
CalHR	California Department of Human Resources (Formerly State Personnel Board and Department of Personnel Administration)
CBA	California Board of Accountancy
CBT	Computer Based Testing
CCR	California Code of Regulations
CE	Continuing Education
CFE	Certified Fraud Examiner
<u>CGMA</u>	<u>Chartered Global Management Accountant</u>
CLEP	College Level Examination Program
CMA	Certified Management Accountant
CORI	Criminal Offender Record Information
CPA	Certified Public Accountant
<u>CPAVerify</u>	<u>CPAverify</u> Centralized database of licensing professionals from participating jurisdictions
CPC	Committee on Professional Conduct
CPE	Continuing Professional Education
CPIL	Center for Public Interest Law
CSEA	California Society of Enrolled Agents
CTEC	California Tax Education Council
DA	District Attorney
DAG	Deputy Attorney General
DCA	Department of Consumer Affairs
DGS	Department of General Services
DOF	Department of Finance
DOI	Division of Investigation
DOL	Department of Labor
EA	Enrolled Agent
EAC	Enforcement Advisory Committee
EO	Executive Officer
EPOC	Enforcement Program Oversight Committee
ERISA	The Employee Retirement Income Security Act of 1974

FAF	Financial Accounting Foundation
FASB	Financial Accounting Standards Board
FTB	Franchise Tax Board
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Accounting Standards
GAGAS	Generally Accepted Government Accounting Standards
GAO	Government Accounting Office
GASB	Governmental Accounting Standards Board
IASB	International Accounting Standards Board
ICPA	Investigative Certified Public Accountant
iExam	International Delivery of the Uniform CPA Exam
IFRS	International Financial Reporting Standards
IH	Investigative Hearing
IRS	Internal Revenue Service
LC	Legislative Committee
MOU	Memorandum of Understanding
MSG	Mobility Stakeholder Group
NASBA	National Association of State Boards of Accountancy
NPRC	National Peer Review Committee (AICPA)
OAHA	Office of Administrative Hearings
OAL	Office of Administrative Law
PA	Public Accountant
PCAOB	Public Company Accounting Oversight Board
<u>PRIMA</u>	<u>Peer Review Integrated Management Application</u>
PROC	Peer Review Oversight Committee
QC	Qualifications Committee
RAB	Report Acceptance Body (CalCPA)
SAS	Statement on Auditing Standards
SB	Senate Bill
SCA	Society of California Accountants
SCO	State Controller's Office
SEC	Securities and Exchange Commission
SSAEs	Statements on Standards for Attestation Engagements
SSARS	Statement on Standards for Accounting and Review Services
TEC	Travel Expense Claim

SECTION VII.

RESOURCE LIST

APPENDIX 1	CBA Strategic Plan http://www.dca.ca.gov/cba/communications-and-outreach/stratpln2016-2018.pdf
APPENDIX 2	DCA guide to the Bagley-Keene Open Meeting Act http://www.dca.ca.gov/publications/bagleykeene_meetingact.pdf
APPENDIX 3	CBA and Committee Roster http://www.dca.ca.gov/cba/about-cba/commitroster.pdf
APPENDIX 4	Uniform CPA Examination Handbook http://www.dca.ca.gov/cba/applicants/exambook.pdf
APPENDIX 5	CPA Licensing Applicant Handbook http://www.dca.ca.gov/cba/applicants/applbook.pdf
APPENDIX 6	CPA License Renewal Handbook http://www.dca.ca.gov/cba/licensees/handbook.pdf
APPENDIX 7	Guidelines for Performing an Internal Audit of a Closed and Finalized Enforcement Case (Attachment)
APPENDIX 8	NASBA and AICPA National Committees: http://www.nasba.org/mc/committees/ https://volunteers.aicpa.org/
APPENDIX 9	Form 700 – Statement of Economic Interests http://www.fppc.ca.gov/Form700.html
APPENDIX 10	DCA’s Incompatible Work Activities Policy and Procedure OHR 10-01 (Attachment)
APPENDIX 11	DCA’s Sexual Harassment Prevention Policy EEO 12-01 (Attachment)
APPENDIX 12	DCA’s Board Member Resource Center http://www.dcaboardmembers.ca.gov/index.shtml
APPENDIX 13	Per Diem and Travel Expense Worksheet with Travel Reimbursement Guidelines (Attachment)
APPENDIX 14	DCA Travel Guide (Attachment)

Late Fall 2017/Early Winter 2018 Outreach Activities

CBA Staff Speak to Dozens of Students at California State University, Sacramento

On Thursday, November 16, 2017, staff attended a student outreach event held in the Alumni Center at California State University, Sacramento where they spoke to many about the examination, education, and licensing requirements for CPA licensure.

Sponsored by the Sacramento Chapter of the California Society of CPAs (CalCPA), this annual event provides an opportunity for students interested in accounting to hear career-oriented advice and comments from different panels of CPAs who work in a variety of settings. Approximately 100 students were in attendance, including representatives from various accounting firms and CalCPA.



CBA Analysts Delia Tomas and Jennifer Huddy

Planning for 2018 Outreach Events and Opportunities Underway

With the new year upon us, staff are working diligently to develop new outreach opportunities. Last month, staff received a communication from a Professor at the Accounting Department at California State University, San Bernardino requesting the CBA conduct an outreach event on its campus. This event is tentatively scheduled for Tuesday, February 27, 2018.

In addition, staff are working with officials from the University of California, San Diego to hold an outreach event on their campus before their academic year ends in June 2018.

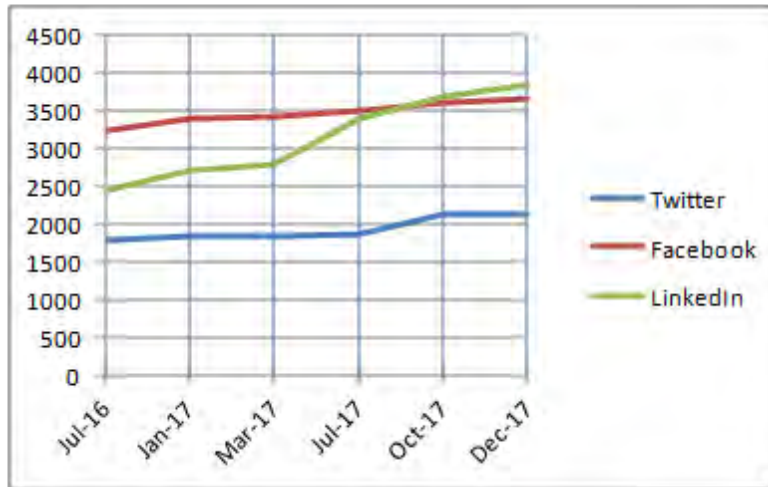
Staff plan to make these events open to individuals, accounting firms, and other organizations from the communities surrounding these two universities and intend to broadcast these events live on the Internet and record them for later viewing and distribution to other audiences. Look for further updates in future editions of the Communication and Outreach Report.

In addition, staff are considering how to better leverage technology to enhance and expand the CBA's outreach program. One possibility includes partnering with the National Association of State Boards of Accountancy to develop professional-quality videos that explain the requirements for CPA licensure that could then be shared through social media and other means.

UPDATE Newsletter Features an Inclusive Planning and Writing Process

One of the CBA's greatest communication tools is the tri-annual UPDATE Newsletter, which is provided to every CBA licensee. To plan each issue, the CBA's entire management team meets to discuss story ideas which helps ensure UPDATE readers are provided with timely and relevant information about the CBA's programs and requirements to obtain and maintain a license in good standing. Also, many CBA analysts have the opportunity to draft articles, providing opportunities for those employees to further develop their writing skills.

Social Media Growth



SOCIAL MEDIA

 3,651
 3,852
 2,139

E-News

E News Subscriptions	Total
Consumer Interest	4,608
Examination Applicant	3,080
Licensing Applicant	3,735
California Licensee	9,856
Out-Of-State Licensee	2,485
Statutory/Regulatory	8,008
CBA Meeting Information & Agenda Materials	3,831
Update Publication	7,647
Total Subscriptions	43,250
Total Subscribers	14,410



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CBA Item V.C.2.

January 18, 2018

Approval of the 2018 Peer Review Oversight Committee Meeting Dates

Presented by: Jeffrey De Lyser, CPA, Chair, Peer Review Oversight Committee

Purpose of the Item

The purpose of this agenda item is to present the California Board of Accountancy (CBA) with proposed Peer Review Oversight Committee (PROC) meeting dates for 2018.

Consumer Protection Objectives

Pursuant to Business and Professions Code, section 5076, the PROC is authorized to act as an advisory committee for the CBA by providing recommendations and assisting with the consumer protection mandate on any peer review activities associated with the American Institute of Certified Public Accountants (AICPA), a Board-approved peer review program provider and the California Society of Certified Public Accountants (CalCPA), a peer review administering entity to ensure the effectiveness of mandatory peer review.

Action(s) Needed

The CBA may choose to adopt or modify the 2018 PROC proposed meeting dates.

Background

The 2018 CBA meeting dates are as follows:

- January 18-19, 2018 – Northern California
- March 22-23, 2018 – Southern California
- May 17-18, 2018 – Northern California
- July 26-27, 2018 – Southern California
- September 20-21, 2018 – Northern California
- November 15-16, 2018 – Southern California

Approval of the 2018 Peer Review Oversight Committee Meeting Dates

Page 2 of 2

Comments

The proposed PROC meeting dates are:

- February 9, 2018 – Northern California
- May 11, 2018 – Northern California
- August 17, 2018 – Northern California
- December 7, 2018 – Northern California

Fiscal/Economic Impact Considerations

There are no fiscal/economic considerations.

Recommendations

The PROC recommends that the CBA adopt or modify the proposed dates.

Attachment

2018 Year-at-a-Glance CBA Calendar

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
2018 MEETING DATES/LOCATIONS CALENDAR
(CBA MEMBER COPY)**

JANUARY 2018

S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18 NC	19 NC	20
21	22	23	24 SC	25	26	27
28	29	30	31			

FEBRUARY 2018

S	M	T	W	Th	F	S
				1 NC	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28			

MARCH 2018

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DECEMBER 2018

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COMMITTEES

EAC - Enforcement Advisory Committee
 QC - Qualifications Committee
 PROC - Peer Review Oversight Committee
 MSG - Mobility Stakeholder Group

GENERAL LOCATION

NC-NORTHERN CALIFORNIA
 SC-SOUTHERN CALIFORNIA

	CBA OFFICE CLOSED
	CBA MEETING
	EAC MEETING
	PROC MEETING
	QC MEETING
	MSG MEETING



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CBA Item V.C.3.
January 18, 2018

An Educational Overview of the California Peer Review Program

Presented by: Dominic Franzella, Chief, Enforcement Division

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) an educational overview of the California peer review program.

Consumer Protection Objectives

The California Peer Review Program is an important component of the CBA's mission to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with applicable professional standards.

Action(s) Needed

No specific action is required on this agenda item.

Background

In 2009, the CBA sponsored Assembly Bill (AB) 138 (Chapter 312, Statute of 2009) implementing mandatory peer review. AB 138 was signed into law and became effective on January 1, 2010. AB 138 represented a multiple year effort by the CBA to examine policies and issues associated with implementing mandatory peer review, requiring all California accounting firms, including sole proprietorships, providing accounting and auditing services to undergo a peer review once every three years as a condition of license renewal.

Comments

The goal of peer review is to promote quality in the accounting and auditing services provided by accounting firms, and to ensure that licensees are adhering to professional standards, thereby enhancing the products received by consumers. Consumer protection is increased in two crucial areas through peer review.

First, the peer review requirement helps to monitor and educate accounting firms to promote quality in the accounting and auditing services they provide. This goal serves the public interest and protects the consumer through an increase in the quality of the product provided to clients.

Secondly, the CBA has the authority to pursue enforcement actions against accounting firms receiving substandard/fail peer reviews. This consumer protection mechanism

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provides assurance that only qualified licensees are practicing public accounting and providing services to consumers in California. Consumer confidence increases from knowing accounting firms must answer to verifiable standards.

Business and Professions Code (BPC) sections 5076 and 5076.1 (**Attachment 1**) and CBA Regulations sections 38-48.6 (**Attachment 2**) govern the peer review program. The CBA only approves peer review providers that meet the stringent requirements of CBA Regulations section 48. These include, but are not limited to, the following:

- a rating system that will indicate substandard peer reviews
- qualifications for those who perform peer reviews
- specific guidelines for planning and performing peer reviews
- guidelines for the acceptance of peer review reports
- requiring that a peer review provider cooperate and provide certain documents to the CBA and Peer Review Oversight Committee (PROC) upon request.

At this time, the CBA only recognizes the American Institute of Certified Public Accountants (AICPA) as an approved peer review program provider.¹ The AICPA oversees its program and the reviews are administered by an entity, typically a state CPA society, approved by the AICPA to perform that role. The California Society of CPAs (CalCPA) is the largest administering entity of the AICPA peer review program in California. CalCPA administers the program in California, Arizona, and Alaska.

The AICPA also administers peer reviews through the National Peer Review Committee for accounting firms required to be registered with and inspected by the Public Company Accounting Oversight Board (PCAOB) or perform audits of non-Securities and Exchange Commission (SEC) issuers pursuant to the standards of the PCAOB. However, the peer review only covers non-public work. The PCAOB reviews the work of public companies under the standards issued by the PCAOB.

As a condition of active status license renewal with the CBA, accounting firms must undergo a peer review if they have provided an accounting or auditing service during the preceding three years. In order to undergo a peer review, accounting firms must be enrolled with a CBA-recognized peer review program provider.

Effective May 2017, AICPA launched Peer Review Integrated Management Application (PRIMA) in an effort to streamline the peer review process to meet the technological or operational needs in place of a prior system, known as Peer Review Information System Manager. PRIMA is the primary tool used by accounting firms, peer reviewers, state boards of accountancy, and administering entities to complete the peer review process. PRIMA allow users to perform self-service activities including initiating and tracking their peer review schedule, the ability to upload and sign documents, and allows users to respond to discrepancies or matters in real-time.

¹ In its regulations, the CBA allows for other peer review program providers that meet certain criteria.

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As highlighted in **Attachment 3**, PRIMA allows for the uploading of peer review information, scheduling of peer review, acceptance of peer reviews, final decisions on peer review ratings, and corrective actions and implementation plans, as appropriate.

There are two types of peer reviews: System Reviews and Engagement Reviews. Accounting firms that perform audits as their highest level of service undergo a System Review. The scope of a System Review is to test firms' system of quality control and provide the peer reviewer with a reasonable assurance that accounting firms' system of quality control were designed in accordance with professional standards and complied with by accounting firm's personnel.

Accounting firms that perform compilations or reviews as their highest level of service undergo an Engagement Review. During Engagement Reviews, peer reviewers look at cross-section of an accounting firm's engagements to assess whether engagements were performed in conformity with professional standards.

Peer review reports are given a rating of either pass, pass with deficiencies, or substandard.² The ratings mean different things depending on whether they are given in a System Review or an Engagement Review.

In a System Review, the ratings have the following meanings:

Pass – A peer review report indicating that a peer reviewer or peer review team concluded that an accounting firm's system of quality control was suitably designed and complied with by the accounting firm's personnel, which provides accounting firms with reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.

Pass with Deficiencies – A peer review report indicating that a peer reviewer or peer review team concluded that a accounting firm's system of quality control was suitably designed and complied with by the firm's personnel with the exception of a certain deficiency or deficiencies that are described in the report. The deficiencies are such that accounting firm's design of or compliance with its system could create a situation in which the firm would have less than reasonable assurance of performing and/or reporting on engagements in conformity with applicable professional standards.

Substandard – A peer review report indicating that a peer reviewer or peer review team concluded that accounting firm's system of quality control is not suitably designed or complied with by the firm's personnel, and thus, does not provide the accounting firms with reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.

In an Engagement Review, the ratings have the following meanings:

² The term "fail" is used by the AICPA Peer Review Program. CBA Regulations use the term "substandard."

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Pass – A peer review report indicating that a peer reviewer or peer review team concluded that there was no evidence which would cause the peer reviewer to believe that the engagements performed by accounting firms were not performed in conformity with applicable professional standards.

Pass with Deficiencies – A peer review report indicating that a peer reviewer or peer review team concluded that, with the exception of a certain deficiency or deficiencies, nothing would cause the peer reviewer to believe that the engagements performed by accounting firms and submitted for review were not performed in conformity with applicable professional standards. The deficiencies identified were such that the peer reviewer concluded they were material to the understanding of the report or financial statements or represented omission of critical procedures required by applicable professional standards.

Substandard – A peer review report indicating that a peer reviewer or peer review team concluded that the engagements reviewed were not performed and/or reported on in conformity with applicable professional standards. In issuing such report, the peer reviewer shall assess both the significance of the deficiencies identified and the pervasiveness of the deficiencies.

The CBA requires that peer review administering entities appoint a peer review committee to oversee the administration, acceptance, and completion of peer reviews. The committee may decide to delegate a portion of the report acceptance function to report acceptance bodies (RABs). Members of the committee and the RABs must meet minimum qualification requirements as established by the CBA.

Once the peer review is complete, the peer reviewer prepares a report and submits it to the administering entity for technical review and acceptance by a RAB. First, the report is reviewed by a CPA with the administering entity who notes any technical issues to determine if revisions to the report are needed. When the revisions are received, the CPA reviews the report one more time, and then the report is assigned to the RAB. The RAB reviews the report and all supporting documentation, including the firm's response if the report identified deficiencies or was substandard. The RAB then decides whether to accept the review as presented or if further changes need to be made.

Once the RAB accepts the peer review report, accounting firms are required to report its peer review results to the CBA. Accounting firms report peer review information at the time of license renewal using the Peer Review Reporting Form (or PR-1) (**Attachment 4**), which accompanies the license renewal application.

Accounting firms that receive a substandard rating on their peer review are required to submit to the CBA within 45 days of the acceptance of the report the peer review report along with any materials, if available, documenting completion of any or all prescribed remedial or corrective actions. The administering entity is required to submit all substandard peer review reports to the CBA within 60 days.

On occasion, accounting firms are terminated from a CBA approved peer review program provider's program. This can occur for various reasons, including, failure to submit or produce requested documents, and failure to accurately represent information

An Educational Overview of the California Peer Review Program

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relating to its accounting and auditing practice. Accounting firms that are terminated are required to report terminations to the CBA within 30 days and provide the reason for termination.

The CBA maintains an active oversight process to ensure that CBA-approved peer review program providers meet the minimum standards outlined by the CBA in regulation. In the enabling statutes (specifically BPC section 5076.1), the Legislature mandated the CBA establish an advisory committee to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

This advisory committee, which is known as the Peer Review Oversight Committee or PROC, has the following roles and responsibilities, as defined by the CBA:

- Hold meetings as necessary in order to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.
- Ensure that CBA-recognized peer review program providers administer peer reviews in accordance with the standards set forth in California Code of Regulations section 48:
 - Conduct an annual administrative site visit.
 - Attend peer review board meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Attend peer review committee meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Attend meetings conducted for the purposes of accepting peer review reports, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Conduct reviews of peer review reports on a sample basis.
 - Attend, on a regular basis, peer reviewer training courses.
- Evaluate any *Application to Become A Board-recognized Peer Review Provider* and recommend approval or denial to the CBA.
- Refer to the CBA any CBA-recognized peer review program providers that fails to respond to any request.
- Collect and analyze statistical monitoring and reporting data from each CBA-recognized peer review program providers on an annual basis.
- Prepare an Annual Report to the CBA regarding the results of its oversight.

James W. Brackens, CPA, CGMA, Vice-President of Ethics and Practice Quality, for the AICPA will be attending the CBA January 18, 2018 meeting.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendations

Staff do not have a recommendation on this agenda item.

An Educational Overview of the California Peer Review Program

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Attachments

1. Business and Professions Code Section 5076 and 5076.1
2. California Regulations Sections 38-48.6
3. California Peer Review Program – Flowchart
4. Peer Review Reporting Form – PR-1



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Attachment 1

BUSINESS AND PROFESSIONS CODE DIVISION 3. Professions and Vocations Generally CHAPTER 1. Accountants ARTICLE 4. Applications, Registrations, Permits Generally

§ 5076. Peer Review.

(a) In order to renew its registration in an active status or convert to an active status, a firm, as defined in Section 5035.1, shall have a peer review report of its accounting and auditing practice accepted by a board-recognized peer review program no less frequently than every three years.

(b) For purposes of this article, the following definitions apply:

(1) "Peer review" means a study, appraisal, or review conducted in accordance with professional standards of the professional work of a firm, and may include an evaluation of other factors in accordance with the requirements specified by the board in regulations. The peer review report shall be issued by an individual who has a valid and current license, certificate, or permit to practice public accountancy from this state or another state and is unaffiliated with the firm being reviewed.

(2) "Accounting and auditing practice" includes any services that were performed in the prior three years using professional standards defined by the board in regulations.

(c) The board shall adopt regulations as necessary to implement, interpret, and make specific the peer review requirements in this section, including, but not limited to, regulations specifying the requirements for board recognition of a peer review program, standards for administering a peer review, extensions of time for fulfilling the peer review requirement, exclusions from the peer review program, and document submission.

(d) Nothing in this section shall prohibit the board from initiating an investigation and imposing discipline against a firm or licensee, either as the result of a complaint that alleges violations of statutes, rules, or regulations, or from information contained in a peer review report received by the board.

(e) A firm issued a substandard peer review report, as defined by the board in regulation, shall submit a copy of that report to the board. The board shall establish in regulation the time period that a firm must submit the report to the board. This period shall not exceed 60 days from the time the report is accepted by a board-recognized peer review program provider to the date the report is submitted to the board.

(f) (1) A board-recognized peer review program provider shall file a copy with the board of all substandard peer review reports issued to California-licensed firms. The board shall establish in regulation the time period that a board-recognized peer review program provider shall file the report with the board. This period shall not exceed 60 days from the time the report is accepted by a board-recognized peer review program

provider to the date the report is filed with the board. These reports may be filed with the board electronically.

(2) Nothing in this subdivision shall require a board-recognized peer review program provider, when administering peer reviews in another state, to violate the laws of that state.

(g) The board shall, by January 1, 2010, define a substandard peer review report in regulation.

(h) Any requirements imposed by a board-recognized peer review program on a firm in conjunction with the completion of a peer review shall be separate from, and in addition to, any action by the board pursuant to this section.

(i) Any report of a substandard peer review submitted to the board in conjunction with this section shall be collected for investigatory purposes.

(j) Nothing in this section affects the discovery or admissibility of evidence in a civil or criminal action.

(k) Nothing in this section requires any firm to become a member of any professional organization.

(l) A peer reviewer shall not disclose information concerning licensees or their clients obtained during a peer review, unless specifically authorized pursuant to this section, Section 5076.1, or regulations prescribed by the board.

(m) (1) By January 1, 2015, the board shall provide the Legislature and Governor with a report regarding the peer review requirements of this section that includes, without limitation:

(A) The number of peer review reports completed to date and the number of reports which were submitted to the board as required in subdivision (e).

(B) The number of enforcement actions that were initiated as a result of an investigation conducted pursuant to subdivision (i).

(C) The number of firms that were recommended to take corrective actions to improve their practice through the mandatory peer review process, and the number of firms that took corrective actions to improve their practice following recommendations resulting from the mandatory peer review process.

(D) The extent to which mandatory peer review of accounting firms enhances consumer protection.

(E) The cost impact on firms undergoing mandatory peer review and the cost impact of mandatory peer review on the firm's clients.

(F) A recommendation as to whether the mandatory peer review program should continue.

(G) The extent to which mandatory peer review of small firms or sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting enhances consumer protection.

(H) The impact of peer review required by this section on small firms and sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting.

(I) The impact of peer review required by this section on small businesses, nonprofit corporations, and other entities that utilize small firms or sole practitioners for the purposes of nondisclosure compiled financial statements prepared on an other comprehensive basis of accounting.

(J) A recommendation as to whether the preparation of nondisclosure compiled financial statements on an other comprehensive basis of accounting should continue to be a part of the mandatory peer review program.

(2) A report to the Legislature pursuant to this section shall be submitted in compliance with Section 9795 of the Government Code.

(Amended by Stats. 2012, Ch. 661, Sec. 5. Effective January 1, 2013.)

§ 5076.1. Peer Review Oversight Committee.

(a) The board shall appoint a peer review oversight committee of certified public accountants of this state who maintain a license in good standing and who are authorized to practice public accountancy to provide recommendations to the board on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

(b) The committee may request any information from a board-recognized peer review program provider deemed necessary to ensure the provider is administering peer reviews in accordance with the standards adopted by the board in regulations. Failure of a board-recognized peer review program provider to respond to the committee shall result in referral by the committee of the provider to the board for further action. Any information obtained by the board, its representatives, or the peer review oversight committee in conjunction with its review of peer review program providers shall not be a public record, and shall be exempt from public disclosure, provided, however, this information may be disclosed under any of the following circumstances:

(1) In connection with disciplinary proceedings of the board.

(2) In connection with legal proceedings in which the board is a party.

(3) In response to an official inquiry by a federal or state governmental regulatory agency.

(4) In compliance with a subpoena or summons enforceable by court order.

(5) As otherwise specifically required by law.

(c) The members of the committee shall be appointed to two-year terms and may serve a maximum of four consecutive terms.

(d) The board may adopt, as necessary, regulations further defining the minimum qualifications for appointment as a committee member and additional administrative elements designed to ensure the effectiveness of mandatory peer review.

(Amended by Stats. 2011, Ch. 448, Sec. 9. Effective January 1, 2012.)



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Attachment 2

CALIFORNIA CODE OF REGULATIONS **Title 16. Professional and Vocational Regulations** **DIVISION 1. Board of Accountancy Regulations** **ARTICLE 6. Peer Review**

§ 38. Purpose of this Article.

This Article implements Sections 5076 and 5076.1 of the Accountancy Act related to Peer Review.

Note: Authority cited: Sections 5010, 5076 and 5076.1, Business and Professions Code.
Reference: Sections 5076 and 5076.1, Business and Professions Code.

§ 39. Definitions.

The following definitions shall apply to Article 6 - Peer Review: (a) Accounting and Auditing Practice: Any services that are performed using the following professional standards: Statements on Auditing Standards (SASs), Statements on Standards for Accounting and Review Services (SSARS), Statements on Standards on Attestation Engagements (SSAEs), Government Auditing Standards, and audits of non-Security Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB). (b) Peer Review Report: A report issued to the peer reviewed firm which documents the findings and conclusions reached by a qualified peer reviewer and issued in accordance with Section 48(b) of this Article. (c) Pass Peer Review Report: A report issued to the peer reviewed firm in accordance with either Section 48(b)(1)(A) or 48(b)(2)(A) of this Article. (d) Pass With Deficiencies Peer Review Report: A report issued to the peer reviewed firm in accordance with either Section 48(b)(1)(B) or 48(b)(2)(B) of this Article. (e) Substandard Peer Review Report: A report issued to the peer reviewed firm under either Section 48(b)(1)(C) or 48(b)(2)(C) of this Article. (f) Peer Reviewer: A certified public accountant holding a valid and active license to practice public accounting in good standing issued by this state or some other state who (1) maintains a currency of knowledge in professional standards governing accounting and auditing engagements, (2) meets the qualifications of Section 48(c) of this Article, and (3) is unaffiliated with the firm being reviewed. (g) Peer Review Team: One or more individuals who collectively conduct a peer review, at least one of whom is a qualified peer reviewer.

Note: Authority cited: Sections 5010 and 5076, Business and Professions Code.
Reference: Section 5076, Business and Professions Code.

§ 40. Enrollment and Participation.

(a) A firm performing services as defined in Section 39(a) shall have a peer review report accepted by a Board-recognized peer review program once every three years in order to renew its license.

(b) A firm performing services as defined in Section 39(a) for the first time shall have a peer review report accepted by a Board-recognized peer review program within 18 months of the date it completes those services.

Note: Authority cited: Sections 5010 and 5076, Business and Professions Code.

Reference: Section 5076, Business and Professions Code.

§ 41. Firm Responsibilities.

A firm shall enroll with a Board-recognized peer review program provider, and shall cooperate with the Board-recognized peer review program provider with which the firm is enrolled to arrange, schedule, and complete a peer review, in addition to taking and completing any remedial or corrective actions prescribed by the Board-recognized peer review program provider.

Note: Authority cited: Sections 5010 and 5076, Business and Professions Code.

Reference: Section 5076, Business and Professions Code.

§ 42. Exclusions.

(a) The following shall be excluded from the peer review requirement:

(1) Any of a firm's engagements subject to inspection by the Public Company Accounting Oversight Board as part of its inspection program.

(2) Firms, which as their highest level of work, perform only preparation engagements (with or without disclaimer reports) in accordance with the provisions of the Statements on Standards for Accounting and Review Services (SSARS).

Note: Authority cited: Sections 5010 and 5076, Business and Professions Code.

Reference: Section 5076, Business and Professions Code.

§ 43. Extensions.

(a) Should an extension of time be needed to have a peer review report accepted by a Board-recognized peer review program such request shall be submitted to the Board-recognized peer review program with which the firm is enrolled for consideration and approval or denial.

(b) If the extension granted extends past the firm's reporting date, the firm shall notify the Board of the extension and provide proof of the extension. The firm shall report the results of the peer review to the Board on form PR-1 (Rev. 1/12), as referenced in Section 45, within 45 days of the peer review report being accepted by a Board-recognized peer review program.

Note: Authority cited: Sections 5010 and 5076, Business and Professions Code.

Reference: Section 5076, Business and Professions Code.

§ 44. Notification of Expulsion.

A firm that is expelled by a Board-recognized peer review program shall notify the Board in writing within 30 days and provide the name of the Board-recognized peer review program and reason(s) given to the firm by the peer review program for the expulsion.

Note: Authority cited: Sections 5010 and 5076, Business and Professions Code.

Reference: Section 5076, Business and Professions Code.

§ 45. Reporting to the Board.

(a) Beginning on January 1, 2014, at the time of renewal, a licensee shall report to the Board specific peer review information as required on Form PR-1 (Rev. 1/12), which is hereby incorporated by reference.

(b) Prior to January 1, 2014, the date for existing California licensees to report peer review results, on the form indicated in subsection (a), shall be based on the licensee's license number according to the following schedule: for license numbers ending with 01-33 the reporting date is no later than July 1, 2011; for license numbers ending with 34-66 the reporting date is no later than July 1, 2012; for license numbers ending with 67-00 the reporting date is no later than July 1, 2013.

(c) A licensee's willful making of any false, fraudulent, or misleading statement, as part of, or in support of, his/her peer review reporting shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act. Failure to submit a completed Form PR-1 (Rev. 1/12) shall be grounds for non-renewal or disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

Note: Authority cited: Sections 5010 and 5076, Business and Professions Code.

Reference: Sections 5076 and 5100, Business and Professions Code.

§ 46. Document Submission Requirements.

(a) A firm receiving a peer review report issued under Section 48(b)(1)(C) or (b)(2)(C) shall submit a copy of the peer review report to the Board including any materials documenting the prescription of remedial or corrective actions imposed by a Board-recognized peer review program provider within 45 days of the peer review report being accepted by a Board-recognized peer review program provider. A firm shall also submit to the Board, within the same 45-day reporting period, any materials, if available, documenting completion of any or all of the prescribed remedial or corrective actions.

(b) Upon request by the Board, a firm shall submit to the Board all requested documents related to the peer review including:

(1) If the firm received a peer review report issued under Section 48(b)(1)(A) or (b)(2)(A) it shall submit the copy of the peer review report including materials documenting the acceptance of the report.

(2) If the firm received a peer review report issued under Section 48(b)(1)(B) or (b)(2)(B) it shall submit the copy of peer review report including any materials documenting the prescription of remedial or corrective actions imposed by a Board-recognized peer review program provider. In addition, a firm shall also submit any materials, if available, documenting completion of any or all of the prescribed remedial or corrective actions.

(c) Any documents required for submission as part of this section may be submitted electronically.

Note: Authority cited: Sections 5010 and 5076, Business and Professions Code.

Reference: Section 5076, Business and Professions Code.

§ 47. Peer Review Oversight Committee.

(a) The Peer Review Oversight Committee shall be comprised of not more than seven licensees. The licensees shall maintain a valid and active license to practice public accounting in California issued by the Board.

(b) No member of the committee shall be a current member or employee of the Board.

(c) The committee shall hold meetings as necessary in order to conduct business and shall report to the Board regarding the effectiveness of mandatory peer review. This shall include an annual report to the Board regarding the results of its oversight, and shall include the scope of work, findings, and conclusions regarding its oversight.

(d) The committee is authorized to request from a Board-recognized peer review program provider those materials necessary to perform its review.

(e) Should a Board-recognized peer review program provider fail to respond to any request, the committee shall refer the matter to the Board.

(f) The committee shall review and recommend to the Board for approval peer review program provider applications for recognition by the Board.

Note: Authority cited: Sections 5010 and 5076.1, Business and Professions Code.

Reference: Section 5076.1, Business and Professions Code.

§ 48. Minimum Requirements for a Peer Review Program.

For a peer review program provider to receive Board recognition and be authorized to administer peer reviews in California, the peer review program provider shall submit evidence to the satisfaction of the Board that the peer review program is comprised of a set of standards for performing, reporting on, and administering peer reviews. A peer review program shall include the following components:

(a) Peer Review Types A peer review program shall have a minimum of two types of peer reviews that include the following:

(1) For firms performing engagements under the Statements on Auditing Standards (SASs), Government Auditing Standards, examinations of prospective financial statements under the Statements on Standards on Attestation Engagements (SSAEs), or audits of non-Security Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB), the firm shall undergo a peer review designed to test the firm's system of quality control. The scope of the peer review shall be such that it provides a peer reviewer with a reasonable assurance that a firm's system of quality control was designed in accordance with professional standards and was complied with by a firm's personnel.

(2) For firms only performing engagements under the Statements on Standards for Accounting and Review Services (SSARS) or under Statements on Standards on Attestation Engagements (SSAEs) not encompassed in review performed under subsection (a)(1), the firm shall undergo a peer review designed to test a cross-section

of a firm's engagements to assess whether the engagements were performed in conformity with the applicable professional standards.

(b) Peer Review Report Issuance

(1) For firms undergoing peer reviews pursuant to subsection (a)(1), one of the following three types of peer review reports shall be issued:

(A) A peer review report indicating that a peer reviewer or peer review team concluded that a firm's system of quality control was suitably designed and complied with by the firm's personnel, which provides the firm with reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.

(B) A peer review report indicating that a peer reviewer or peer review team concluded that a firm's system of quality control was suitably designed and complied with by the firm's personnel with the exception of a certain deficiency or deficiencies that are described in the report. The deficiencies are such that the firm's design of or compliance with its system could create a situation in which the firm would have less than reasonable assurance of performing and/or reporting on engagements in conformity with applicable professional standards.

(C) A peer review report indicating that a peer reviewer or peer review team concluded that a firm's system of quality control is not suitably designed or complied with by the firm's personnel, and thus, does not provide the firm with reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.

(2) For firms undergoing peer reviews pursuant to subsection (a)(2), one of the following three types of peer review reports shall be issued:

(A) A peer review report indicating that a peer reviewer or peer review team concluded that there was no evidence which would cause the peer reviewer to believe that the engagements performed by the firm were not performed in conformity with applicable professional standards.

(B) A peer review report indicating that a peer reviewer or peer review team concluded that, with the exception of a certain deficiency or deficiencies, nothing would cause the peer reviewer to believe that the engagements performed by the firm and submitted for review were not performed in conformity with applicable professional standards. The deficiencies identified were such that the peer reviewer concluded they were material to the understanding of the report or financial statements or represented omission of critical procedures required by applicable professional standards.

(C) A peer review report indicating that a peer reviewer or peer review team concluded that the engagements reviewed were not performed and/or reported on in conformity with applicable professional standards. In issuing such report, the peer reviewer shall assess both the significance of the deficiencies identified and the pervasiveness of the deficiencies.

(c) Peer Reviewer Qualifications A peer review program shall include minimum qualifications for an individual to qualify as a peer reviewer. The qualifications shall, at a minimum, include the following:

(1) Have a valid and active license in good standing to practice public accounting issued by this state or other state.

(2) Be actively involved and practicing at a supervisory level in a firm's accounting and auditing practice.

(3) Maintain a currency of knowledge of the professional standards related to accounting and auditing, including those expressly related to the type or kind of practice to be reviewed.

(4) Provide the Board-recognized peer review program provider with his/her qualifications to be a reviewer, including recent industry experience.

(5) Be associated with a firm that has received a peer review report issued in accordance with subsection (b)(1)(A) or (b)(2)(A) of this section or has received a peer review rating of pass or unmodified as part of the American Institute of Certified Public Accountants Peer Review Program as part of the firm's last peer review.

(d) Planning and Performing Peer Reviews A peer review program shall include minimum guidelines and/or standards for planning and performing peer reviews commensurate with the type of peer review being performed to include, but not limited to, the following:

(1) For peer reviews performed in accordance with subsection (a)(1) of this section, a peer review program's guidelines and/or standards shall include the following:

(A) Ensuring that prior to performing a peer review, a peer reviewer or a peer review team takes adequate steps in planning a peer review to include the following: (i) obtain the results of a firm's prior peer review (if applicable), (ii) obtain sufficient understanding of the nature and extent of a firm's accounting and auditing practice, (iii) obtain a sufficient understanding of a firm's system of quality control and the manner in which the system is monitored by a firm, and (iv) select a representative cross-section of a firm's engagements.

(B) In performing a peer review, the peer reviewer or peer review team shall test the reviewed engagements while assessing the adequacy of and compliance with a firm's system of quality control. The peer review is intended to provide the peer reviewer or peer review team with reasonable basis for expressing an opinion as to whether a firm's system of quality control is suitably designed and complied with by a firm's personnel such that the firm has reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.

(2) For peer reviews performed in accordance with subsection (a)(2) of this section, a peer review program's guidelines and/or standards shall include the following:

(A) Ensuring that prior to performing a peer review, a peer reviewer or peer review team select a representative cross-section of a firm's accounting and auditing engagements to include at a minimum one engagement for each partner, shareholder, owner, principal, or licensee authorized to issue reports.

(B) In performing a peer review, the peer reviewer or peer review team shall review the selected engagements to determine if the engagements were performed in conformity with the applicable professional standards.

(3) Nothing in a peer review program provider's guidelines and/or standards shall prohibit a peer reviewer or peer review team from disclosing pertinent peer review- 48 related information regarding a firm to a subsequent peer reviewer.

(e) Peer Review Program Plan of Administration and Accepting Peer Review Reports

(1) The administration plan shall clearly outline the manner in which the peer review program provider intends on administering peer reviews and shall, at a minimum, include the following:

(A) Identify a peer review committee, and if necessary subcommittees, and employ knowledgeable staff for the operation of the review program as needed.

- (B) Establish and perform procedures for ensuring that reviews are performed and reported on in accordance with the program's established standards for performing and reporting on peer reviews.
- (C) Establish a program to communicate to firms participating in the peer review program the latest developments in peer review standards and the most common findings in peer reviews conducted by the Board-recognized peer review program provider.
- (D) Establish and document procedures for an adjudication process designed to resolve any disagreement(s) which may arise out of the performance of a peer review, and resolve matters which may lead to the dismissal of a firm from the provider's peer review program.
- (E) Establish guidelines for prescribing remedial or corrective actions designed to assure correction of the deficiencies identified in a firm's peer review report.
- (F) Establish guidelines for monitoring the prescribed remedial and corrective actions to determine compliance by the reviewed firm.
- (G) Establish and document procedures for ensuring adequate peer reviewers to perform peer reviews. This shall include ensuring a breadth of knowledge related to industry experience.
- (H) Establish and document procedures to ensure the qualifications of peer reviewers and to evaluate a peer reviewer's performance on peer reviews.
- (I) Establish a training program or training programs designed to maintain or increase a peer reviewer's currency of knowledge related to performing and reporting on peer reviews.
- (J) Establish and document procedures to ensure that a firm requiring a peer review selects a peer reviewer with similar practice experience and industry knowledge, and peer reviewer is performing a peer review for a firm with which the reviewer has similar practice experience and industry knowledge.
- (K) Require the maintenance of records of peer reviews conducted under the program. Such records shall include, at a minimum, written records of all firms enrolled in the peer review program and documents required for submission under Section 46, with these documents to be retained until the completion of a firm's subsequent peer review.
- (L) Provide to the Board's Peer Review Oversight Committee access to all materials and documents required for the administration of peer reviews.
- (2) As required by subsection (e)(1)(A) of this section, the peer review program provider shall establish a peer review committee to assist in the review and acceptance of peer review reports. The peer review program provider's committee shall:
- (A) Meet regularly to consider and accept peer review reports.
- (B) Assist the peer review program provider in resolving instances in which there is a lack of cooperation and agreement between a peer reviewer and/or reviewed firm in accordance with the peer review program's adjudication process.
- (C) Make a final determination on a peer review report pursuant to subdivision (b).
- (f) The peer review committee established by the peer review program provider shall comply with the following in relation to the composition of the committee:
- (1) All committee members shall meet the peer reviewer qualification requirements established in Section 48(c).
- (2) In determining the size of the committee, consideration shall be given to the requirement for broad industry experience, and the likelihood that some members will

need to recuse themselves from some reviews as a result of the member's close association to the firm or having performed the review.

(3) No committee member may concurrently serve as a member of the Board.

(4) A committee member may not participate in any discussion or have any vote with respect to a reviewed firm when the member lacks independence as defined by California Code of Regulations Section 65 or has a conflict of interest. Examples of conflicts of interest include, but are not limited to:

(A) the member's firm has performed the most recent peer review of the reviewed firm's accounting and auditing practice.

(B) the member served on the review team which performed the current or the immediately preceding review of the firm.

(C) the member believes he/she cannot be impartial or objective.

(5) Each member of the committee shall comply with all confidentiality requirements.

The peer review program provider shall annually require its committee members to sign a statement acknowledging their appointments and the responsibilities and obligations of their appointments.

Note: Authority Cited: Sections 5010 and 5076, Business and Professions Code.

Reference: Section 5076, Business and Professions Code.

§ 48.1. Board-Recognition of the American Institute of Certified Public Accountants, Inc. Peer Review Program.

The American Institute of Certified Public Accountants, Inc. Peer Review Program is hereby recognized as meeting the minimum peer review program requirements as outlined in Section 48 of this Article and is authorized to administer peer reviews in California. If in the future the Board deems the American Institute of Certified Public Accountants, Inc. Peer Review Program to no longer meet the minimum qualifications specified in Section 48 of this Article, the Board shall rescind its recognition pursuant to Section 48.5 of this Article.

Note: Authority cited: Sections 5010 and 5076, Business and Professions Code.

Reference: Section 5076, Business and Professions Code.

§ 48.2. Applying to Become a Board-Recognized Peer Review Program.

Prior to receiving Board recognition to perform peer reviews in California, a peer review program provider shall submit the following application: Application to Become a BoardRecognized Peer Review Program (1/10), which is hereby incorporated by reference. With the application, the firm shall submit materials evidencing the program meets the requirements outlined in Section 48.

Note: Authority Cited: Sections 5010 and 5076, Business and Professions Code.

Reference: Section 5076, Business and Professions Code.

§ 48.3. Board-Recognized Peer Review Program Provider Reporting Responsibilities.

(a) Upon request of the Board or Peer Review Oversight Committee, a Board-recognized peer review program provider shall make available, at a minimum, the following:

- (1) Standards, procedures, guidelines, training materials, and similar documents prepared for the use of reviewers and reviewed firms.
- (2) Information concerning the extent to which the Board-recognized peer review program provider has reviewed the quality of reviewers' working papers in connection with the acceptance of reviews.
- (3) Statistical data maintained by the Board-recognized peer review program provider related to its role in the administration of peer reviews.
- (4) Information concerning the extent to which the Board-recognized peer review program provider has reviewed the qualifications of its reviewers.
- (5) Sufficient documents to conduct sample reviews of peer reviews accepted by the Board-recognized peer review program provider. These may include, but are not limited to, the report; reviewer working papers prepared or reviewed by the Board-recognized peer review program's peer review committee in association with the acceptance of the review; and materials concerning the acceptance of the review, including, but not limited to, the imposition of required remedial or corrective actions; the monitoring procedures applied; and the results.

(b) A Board-recognized peer review program provider shall provide the Board, in writing or electronically, the name of any California-licensed firm expelled from the peer review program and provide the reason(s) for expulsion. The Board-recognized peer review program provider shall submit this information to the Board within 30 days of notifying the firm of its expulsion.

(1) Nothing in this subsection shall require a Board-recognized peer review program provider, when administering peer reviews in another state, to violate the laws of that state.

(c) A Board-recognized peer review program provider shall provide the Board, in writing or electronically, a copy of all substandard peer review reports issued to California licensed firms within 60 days from the time the report is accepted by the Board-recognized peer review program provider.

Note: Authority cited: Sections 5010, 5076, and 5076.1, Business and Professions Code. Reference: Section 5076 and 5076.1, Business and Professions Code.

§ 48.4. Reconsideration of a Denied Applicant.

(a) An applicant pursuant to Section 48.2 whose peer review program has been denied by the Board may request an informal hearing of such action to the Board. The request for an informal hearing shall be filed within six months of the denial or the mailing of written notification, whichever is later. The appeal shall contain the following information:

- (1) The name and business address of the provider making the appeal.
- (2) The action being appealed and the date of any written notification by the Board.
- (3) A summary of the basis for the request for an informal hearing, including any information which the provider believes was not given adequate consideration by the Board.

(b) The Board will consider only requests based on information previously submitted. If the provider submits for reconsideration additional evidence or information not previously submitted to the Board, such additional information should be submitted directly to the Peer Review Oversight Committee with the request that its previous recommendation be reconsidered. A request based on evidence or information not previously submitted to the Board will be referred by the Board to the Peer Review Oversight Committee for further consideration.

*Note: Authority cited: Sections 5010, 5076 and 5076.1, Business and Professions Code.
Reference: Sections 5076 and 5076.1, Business and Professions Code.*

§ 48.5. Withdrawal of Board Recognition.

(a) The Board may rescind and withdraw its recognition of a peer review program if it is determined that the peer review program is not in compliance with the requirements of this Article, the provider failed to respond to an informational request by the Board or the Peer Review Oversight Committee, or the provider made any material misrepresentation of fact related to any information required to be submitted to the Board or the Peer Review Oversight Committee.

(b) The order of withdrawal of Board recognition shall be issued by the Board or its executive officer, without prior notice or hearing, and is effective immediately when mailed to the peer review program provider's address of record.

(c) The order of withdrawal of Board recognition shall contain the following:

(1) The reason for the withdrawal, including the specific statutes and regulations with which the program showed non-compliance.

(2) A statement that the peer review program provider has the right, within 30 days, to request an informal hearing to appeal the withdrawal of Board recognition.

(3) A statement that any informal hearing shall be scheduled before the Board or its designee, at which time a peer review program provider shall be afforded the 52 opportunity to be heard.

(d) To maintain recognition, the burden of proof shall be placed on the peer review program provider to demonstrate both qualifications and fitness to perform peer reviews in California by producing proof at a hearing before the Board.

(e) If the peer review program provider fails to notify the Board's executive officer in writing and in a timely manner that it desires to contest the written withdrawal of Board recognition, the decision to withdraw approval shall become final.

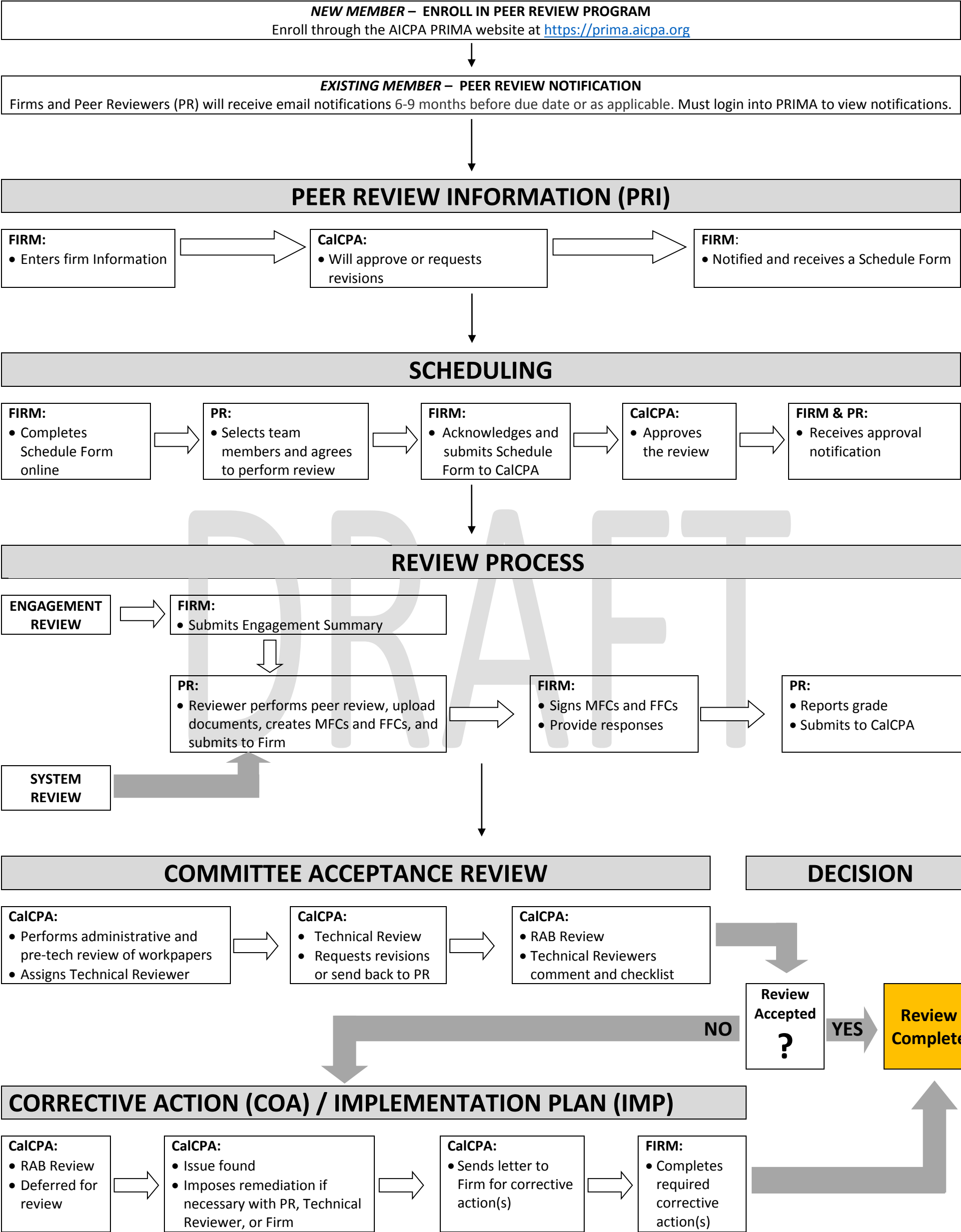
*Note: Authority cited: Sections 5010, 5076 and 5076.1, Business and Professions Code.
Reference: Section 5076, Business and Professions Code.*

§ 48.6. Records of Proceedings.

For any informal hearings conducted by the Board pursuant to Sections 48.4 and 48.5 of this Article, the Board shall maintain a record of its proceedings, such as the minutes of the meeting or an audio recording of the meeting.

*Note: Authority cited: Sections 5010, 5076 and 5076.1, Business and Professions Code.
Reference: Section 5076, Business and Professions Code.*

California Peer Review Program – Flowchart



Glossary

- AICPA – American Institute of Certified Public Accountants
- PRIMA – Peer Review Integrated Management Application
- CalCPA – California Society of Certified Public Accountants
- PR – Peer Reviewer
- MFC – Matter for Further Consideration
- FFC – Findings for Further Consideration
- RAB – Review Acceptance Board

****NOTE: AICPA/CalCPA refers to “Firm” as “Peer Review Contact (PRC)”
AICPA/CalCPA refers to “Peer Reviewers” as “Team Captain (TC) or Review Captain (RC)”



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PEER REVIEW REPORTING FORM LICENSEE/FIRM INFORMATION

Attachment 4

1. Licensee/Firm Name: _____

2. Business Telephone #: _____ 3. Business E-mail Address: _____

4. License Number: _____ 5. License Expiration Date: _____

6. Does the licensee operate as an accounting firm?

☐ **NO** (Check one below and go to number 15):

- ☐ Employee, partner or shareholder of an accounting firm
- ☐ Employee, partner or shareholder of a non-accounting firm
- ☐ Employee of the government
- ☐ Unemployed or retired
- ☐ Other _____

☐ **YES** (Select firm type below, then go to number 7):

- ☐ Sole Proprietorship
- ☐ General Partnership
- ☐ Limited Liability Partnership
- ☐ Corporation

7. Number of shareholders, partners, owners, and full-time licensees of the firm: ☐ 1 ☐ 2 ☐ 3 ☐ 4
☐ 5-10 ☐ 11-99 ☐ 100+

8a. Has the firm performed accounting and auditing services, as defined in Section 39(a) of Title 16 of the California Code of Regulations, that require a peer review since the last license renewal? ☐ Yes (Go to number 8b.)
☐ No (Go to number 15.)

8b. If the firm completed its first accounting and auditing service within 18 months prior to the expiration date of the license, indicate the date the service was completed:

(NOTE: The firm must have a peer review report accepted by a Board-recognized peer review program provider within 18 months of this date and report the results at the time of the next renewal.)

(If applicable, go to number 15. If not applicable, go to number 9.)

PEER REVIEW INFORMATION

9. Date Last Peer Review Report Accepted: _____

10a. Peer Review Report Rating: ☐ Pass (Go to question 11a.)
☐ Pass w/deficiencies (Go to question 11a.)
☐ Substandard (Go to question 10b.)

PEER REVIEW INFORMATION (continued)

10b. Did your firm submit the peer review report to the Board within the required 45-day reporting period? ☐ Yes ☐ No (Please attach a written explanation as to why the report was not submitted timely.)

11a. Was the peer review administered by the California Society of Certified Public Accountants using the American Institute of Certified Public Accountants Peer Review Program? ☐ Yes ☐ No (Go to question 11b.)

11b. Was the peer review administered by another organization using the American Institute of Certified Public Accountants Peer Review Program? ☐ Yes (Please provide the name of the American Institute of Certified Public Accountants administering entity.) ☐ No (Please provide the name of the Board-recognized peer review program that administered the peer review.)

12. What was the highest level of accounting and auditing service your firm provided during the three-year period encompassing your peer review? ☐ Audit ☐ Review ☐ Compilations w/disclosures ☐ Compilations w/o disclosures prepared using GAAP ☐ Compilations w/o disclosures prepared using OCBOA

13. What was the cost to have the peer review performed? \$ _____

14. How much time did your firm spend preparing for the peer review? ☐ 0 days ☐ 1-5 days ☐ 6-10 days ☐ 10+ days

15. I hereby certify, under penalty of perjury under the laws of the State of California, that all statements, answers, and representations on this form, including supplementary information attached hereto, are true, complete and accurate.

Signature

Date

PERSONAL INFORMATION COLLECTION AND ACCESS

The information provided in this form will be used by the California Board of Accountancy (CBA), to determine qualifications for a Certified Public Account License. Sections 5080 through 5095 of the Business and Professions Code authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the application as being incomplete.

Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, or to another government agency as may be necessary to permit the CBA, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed as provided in Civil Code Section 1798.24.

Each individual has the right to review his or her file, except as otherwise provided by the Information Practices Act. Certain information provided may be disclosed to a member of the public, upon request, under the California Public Records Act.

The Executive Officer of the CBA is responsible for maintaining the information in this application, and may be contacted at 2450 Venture Oaks Way, Suite 300, Sacramento, CA 95833, telephone number (916) 263-3680 regarding questions about this notice or access to records.



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PEER REVIEW REPORTING FORM INSTRUCTIONS

In accordance with Title 16 California Code of Regulations Section 45, this form must be submitted to the California Board of Accountancy no later than the expiration of the license.

LICENSEE/FIRM INFORMATION

- 1-5. Enter the information for the licensee or firm for which the report is being submitted.
6. Indicate if the licensee is operating as an accounting firm. Business and Professions Code Section 5035.1 defines a firm as a sole proprietorship, a corporation, or a partnership.
 - Sole Proprietorship: A business entity which is owned by one individual and where there is no legal distinction between the owner and the business. A single shareholder corporation is not a sole proprietorship.
 - General Partnership: A partnership comprised of two or more licensees which has not filed articles of incorporation with the Secretary of State's office.
 - Limited Liability Partnership: A partnership comprised of two or more licensees which has filed articles of incorporation with the Secretary of State's office.
 - Corporation: A business entity which has filed articles of incorporation with the Secretary of State's office.
7. Indicate the number of shareholders, partners, owners, and full-time licensees of the firm.
8. (a) Indicate if the firm has been performing accounting and auditing services that require the firm to undergo a peer review since January 1, 2010 or since the last license renewal.

Accounting and Auditing Services that require you to undergo a peer review are any services performed using the following professional standards:

- Statements on Auditing Standards (SASs),
- Statements on Standards for Accounting and Review Services (SSARS),
- Statements on Standards on Attestation Engagements (SSAEs),
- Government Auditing Standards,
- Audits of non-Security Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB).

Exclusions from peer review are provided for the following two circumstances:

- Any of a firm's engagements subject to inspection by the Public Company Accounting Oversight Board as part of its inspection program.
- Firms, which as their highest level of work, perform only compilations where no report is issued in accordance with the provisions of the Statements on Standards for Accounting and Review Services (SSARS).

- (b) If the firm has not been performing accounting and auditing services since January 1, 2010, indicate the date the firm completed its first accounting and auditing engagement that requires a peer review.

PEER REVIEW INFORMATION

9. Enter the date the peer review report was accepted by a Board-recognized peer review program provider, not the date the peer review was performed.

10. (a) Check the box that corresponds to the rating received on your firm's peer review report. If your firm's peer review report was accepted under the American Institute of Certified Public Accountants' *Standards for Performing and Reporting on Peer Reviews, 2005*, for unmodified select pass, for modified select pass w/deficiency, and for adverse select fail.
Pass—Go to 11(a), Pass with deficiencies—Go to 11(a), substandard—Go to 10(b)
- (b) If your firm received a rating of substandard on its peer review report, you are required to submit a copy of the peer review report, including any materials documenting the prescription of remedial or corrective actions imposed by the Board-recognized peer review program provider, within 45 days of the peer review report being accepted.

If you complied with this requirement, please answer "yes". If you did not comply with this requirement, please answer "no" and attach a written explanation as to why the report was not submitted timely.

11. (a) If your firm's peer review was not administered by the California Society of Certified Public Accountants using the American Institute of Certified Public Accountants Peer Review Program, please answer "no" and go to question 11b.
- (b) If your firm's peer review was administered by another organization using the American Institute of Certified Public Accountants Peer Review Program, please answer "yes" and write the name of the administering organization on the line provided.

If your firm's peer review was not performed using the American Institute of Certified Public Accountants Peer Review Program, please answer "no" and write the name of the Board-recognized peer review program provider on the line provided.

12. Check only the box that corresponds to the highest level of accounting and auditing services provided by your firm during the three-year period encompassing your peer review.
13. Enter the actual fees charged by the peer review provider. Do not include costs related to preparation time, lost work time, or any other related expenses.
14. Check the box that corresponds to the number of days your firm spent preparing for the peer review. Do not include the number of days it took the peer reviewer to perform the peer review.
15. Sign and date the document.



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CBA Item V.C.4.
January 18, 2018

Discussion and Possible Action Regarding Evaluation of the Peer Reviewer Population

Presented by: Dominic Franzella, Chief, Enforcement Division

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) the opportunity to approve a proposed initial framework from the Peer Review Oversight Committee (PROC) to monitor the peer reviewer population in California and to approve a draft letter (**Attachment 1**) to both the American Institute of Certified Public Accountants (AICPA) and California Society of Certified Public Accountants (CalCPA).

Consumer Protection Objectives

The CBA Peer Review Program is an important component of the CBA's mission to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with applicable professional standards. The CBA Peer Review Program is administered through Board-recognized peer review program providers. The AICPA Peer Review Program is presently the only recognized provider in California, so ensuring its overall effectiveness is crucial to the effectiveness of the CBA Peer Review Program.

Action(s) Needed

The CBA is being asked to approve a draft letter to the AICPA and CalCPA presenting specific data points to include in the developing an initial framework to monitor the peer reviewer population.

Background

During the March 2016 CBA meeting, the PROC was tasked to follow-up on issues relating to peer reviewer population. The PROC discussed the peer reviewer population during its August 19, 2016 and December 8, 2016 meetings, and determined that a letter of inquiry regarding existing peer reviewer population should be sent to AICPA and CalCPA to determine if statistics and oversight framework to evaluate the peer reviewer population exists.

During its May 5, 2017 meeting, the PROC reviewed and approved a letter of inquiry to the AICPA and CalCPA regarding peer reviewer population. The CBA approved the letter at its May 18-19, 2017 meeting, and the letter was sent to AICPA and CalCPA on May 31, 2017 (**Attachment 2**).

Discussion and Possible Action Regarding Evaluation of the Peer Reviewer Population

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In response to the PROC May 31, 2017 letter of inquiry regarding peer reviewer population statistics, written responses were received from James W. Brackens, CPA, CGMA, Vice-President of Ethics and Practice Quality at AICPA, on July 10, 2017 (**Attachment 3**) and from Linda McCrone, CPA, CalCPA Technical Division Director, on July 26, 2017 (**Attachment 4**).

Upon review of AICPA and CalCPA's responses, the CBA approved a follow-up letter signed by CBA Immediate Past President, Alicia Berhow at the September 14-15, 2017 CBA meeting (**Attachment 5**). The letter was sent on September 25, 2017 requesting clarification regarding peer reviewer population statistics in California.

In response to the CBA September 25, 2017 follow-up letter to AICPA and CalCPA regarding peer reviewer population, written responses were received from Mr. Brackens, on October 30, 2017 (**Attachments 6**) and Ms. McCrone, on October 30, 2017 (**Attachments 7**).

Comments

The PROC and CBA staff reviewed all written responses from AICPA and CalCPA regarding the peer reviewer population and have determined that the responses received did not provide sufficient information to effectively assess the present state of the peer reviewer population in California. After reviewing recent responses from the AICPA and CalCPA, the PROC continues to have concerns relating to:

- Aging Peer Reviewer Population:
 - No identification of benchmarks to determine an “appropriate ratio of enrolled firms to active peer reviewers”
 - The AICPA's Peer Review Customer Satisfaction Survey was anonymous and will not provide clarity on what makes up 60 percent of peer reviewers intending to retire before 2020
 - AICPA noted that 30 percent of the total volume of peer reviewers considered “high volume reviewers” perform 80 percent of the reviews nationally
- Specialized Industries:
 - AICPA currently does not track or maintain statistical information that identifies the number of peer reviewers performing engagement reviews, system reviews, system reviews under must-select, i.e., Employee Retirement Income Security Act of 1997 (ERISA) or single audits
 - The national ratio of enrolled firms to active reviewers was approximately 15 to 1
 - AICPA focuses on geographic areas where ratio of enrolled firms to peer reviewers are lower than the national norm of 15 to 1
 - California's ratio of enrolled firms to active reviewers was approximately 30 to 1, double the national ratio
 - CalCPA noted that the CBA should distinguish the difference between system

Discussion and Possible Action Regarding Evaluation of the Peer Reviewer Population

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reviews and engagement reviews, as engagement reviews require more time and resources, and that the area of concern may be on peer reviewers that perform engagement reviews

A decrease of the California peer reviewer population can potentially create a barrier for licensees to timely find peer reviewers to complete the required peer review. In turn, this would create a negative impact on licensees as peer review for accounting firms, including sole proprietors, is a condition for license renewal. Without the ability to complete the peer review licensees may not be able to renew their license timely.

At its December 8, 2017 PROC meeting, the PROC discussed the difference between system and engagement reviews. From this meeting, the PROC learned that of all peer reviews completed annually in California, the majority are engagement reviews, which are not as complex and time intensive as system reviews. System reviews only make up approximately a quarter of the total number of peer reviews completed in California annually.

Given that it appears the AICPA, as a primary CBA-approved entity responsible for statistical information related to the peer review program, does not have sufficient information from which to draw effective assessments regarding the peer reviewer population, especially pertaining to reviewers under specific must-select industries in California, it seems prudent that the CBA establish a minimum framework.

Staff ask that the CBA advise both AICPA and CalCPA to work collaboratively with the PROC to develop and implement a framework to effectively assess peer reviewer population in California.

During the December 8, 2017 PROC meeting, the PROC developed suggested data points for CBA consideration as part of developing an initial framework. It is important to note that this information would be specific to California.

- Number of individuals performing peer reviews
- Number of peer reviews performed by each peer reviewer
- Number of peer reviews performed by peer reviewers in specialized industries
- Number of individuals added to the peer review population over the past year
- Number of individuals who ceased performing peer reviews over the last year
- Number of individuals intending to cease performing peer reviews over the next three years

Staff prepared a draft letter to the AICPA and CalCPA to initiate efforts to work collectively in the development of a data collection and tracking framework relating to the peer reviewer population (**Attachment 1**).

Mr. Brackens will be attending the CBA January 2018 meeting.

Discussion and Possible Action Regarding Evaluation of the Peer Reviewer Population

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Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendations

The PROC recommends that the CBA approve the draft letter (**Attachment 1**) and adopt a framework for the continued evaluation of the peer reviewer population.

Attachments

1. California Board of Accountancy Draft letter to the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants with Recommendations for a Framework to Monitor the Peer Reviewer Population
2. California Board of Accountancy Letter to the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants Regarding Peer Reviewer Population Statistics, Dated May 31, 2017
3. Letter of Response from the American Institute of Certified Public Accountants, Dated July 10, 2017
4. Letter of Response from the California Society of Certified Public Accountants, Dated July 26, 2017
5. California Board of Accountancy Follow-up Letter to the American Institute of Certified Public Accountants and California Society of Certified Public Accountants Regarding Peer Reviewer Population Statistics, Dated September 25, 2017
6. Supplemental Response Letter from the American Institute of Certified Public Accountants, Dated October 30, 2017
7. Supplemental Response Letter from the California Society of Certified Public Accountants, Dated October 30, 2017



California Board of Accountancy
2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833

phone: (916) 263-3680 fax: (916) 263-3675 web: www.cba.ca.gov



Attachment 1

January 26, 2018

James Brackens, CPA, CGMA
Vice President, Ethics & Practice Quality, Public Accounting
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707-8110

Linda McCrone, CPA
Division Director of Technical Services
California Society of CPAs
1800 Gateway Drive, Suite 200
San Mateo, CA 94404-4072

Dear Mr. Brackens and Ms. McCrone:

The California Board of Accountancy (CBA) would like to thank you again for your prompt responses to the CBA follow-up letter of inquiry and request for a written response detailing any established benchmarks identified by the American Institute of Certified Public Accountants (AICPA) and California Society of CPAs (CalCPA) to monitor and assess the peer reviewer population.

The CBA and Peer Review Oversight Committee (PROC) reviewed your most recent responses at its January 18-19, 2018 and December 8, 2017 meetings, respectively, continues to have concerns regarding the decrease in the California peer reviewer population potentially creating a barrier for licensees to timely find peer reviewers to complete the required peer review remains a high priority for the CBA. In turn, this would create a negative impact on licensees as peer review for accounting firms, including sole proprietors, is a condition for license renewal. Without the ability to complete the peer review, licensees may not be able to renew their license timely thus affecting the overall public accounting industry.

Based on the responses received from both AICPA and CalCPA, it appears that AICPA, as a primary CBA-approved entity responsible for statistical information related to the peer review program, does not currently have sufficient information from which to draw effective assessments regarding the peer reviewer population, especially pertaining reviewers under specific must-select industries in California.

James Brackens, CPA, CGMA
Linda McCrone, CPA
January 26, 2018
Page 2

The CBA and the PROC believe it is important to develop an initial framework effectively assess the peer reviewer population in California.

Listed below are data points requested by the CBA for AICPA and CalCPA to include in the developing framework to monitor and assess the peer reviewer population. It is important to note that this information would be specific to California.

- Number of individuals performing peer reviews
- Number of peer reviews performed by each peer reviewer
- Number of peer reviewers performing peer reviews of specialized industries
- Number of peer reviews performed by peer reviewers of specialized industries
- Number of individuals added to the peer review population over the past year
- Number of individuals who ceased performing peer reviews over the last year
- Number of individuals intending to cease performing peer reviews over the next three years

The CBA requests that AICPA and CalCPA provide a written response by February 28, 2018.

The CBA appreciates the continual cooperation of the AICPA and CalCPA in providing this important information. Should you have any question regarding this matter, please direct them to Dominic Franzella, Chief, Enforcement Division by telephone at (916) 561-4310 or by email at dominic.franzella@cba.ca.gov.

Sincerely,

Alicia Berhow, President
California Board of Accountancy

c: Members, California Board of Accountancy
Members, Peer Review Oversight Committee
Leona Johnson, National Association of State Boards of Accountancy Staff Liaison,
Compliance Assurance Committee
Patti Bowers, Executive Officer



California Board of Accountancy
2450 Venture Oaks Way, Suite 300
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Attachment 2

May 31, 2017

James Brackens, CPA, CGMA
Vice President, Ethics & Practice Quality, Public Accounting
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707-8110

Linda McCrone, CPA
Division Director of Technical Services
California Society of CPAs
1800 Gateway Drive, Suite 200
San Mateo, CA 94404-4072

Dear Mr. Brackens and Ms. McCrone:

The California Board of Accountancy (CBA) Peer Review Oversight Committee (PROC) was established by the California Legislature to provide recommendations to the CBA on any matter it is authorized to act to ensure the effectiveness of mandatory peer review.

The CBA has defined various roles and responsibilities for the PROC, including the oversight of all Board-approved peer review program providers to ensure that they meet the minimum requirements established in law. Last year, the CBA included an additional responsibility for the PROC – the evaluation of the peer reviewer population.

The PROC is in the process of evaluating the peer reviewer population and would like a written response from the American Institute of Certified Public Accountants (AICPA) and California Society of CPA (CalCPA) detailing any established benchmarks clarified by the AICPA and/or CalCPA to monitor and assess the peer reviewer population and would like to receive information detailing the process used to establish and monitor the benchmarks. Has the benchmark changed over time? If so, please provide an overview as to why the benchmark changed and the result.

In addition, The PROC is seeking assistance from the AICPA and CalCPA, to providing statistics pertaining to the peer reviewer population:

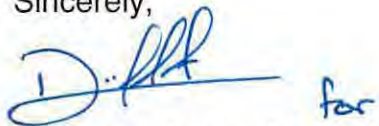
- Has the AICPA or CalCPA identified a minimum number or expectation regarding the number of peer reviewers necessary to perform a certain volume of peer reviews?

- If yes, please provide brief summary on how the number or expectation are determined.
 - If no, will there be efforts to establish a framework to manage the peer reviewer population?
- Have procedures or efforts been established by AICPA or CalCPA regarding recruiting peer reviewers to ensure a sufficient number is available?
 - If yes, please provide a brief summary of the established procedures to recruit peer reviewers.
 - If no, please explain your ability to project the number of reviewers by industries and the number of reviews to be completed.
- Does AICPA or CalCPA maintain statistical information on the current and historical population of peer reviewers?
 - If yes, please provide a brief summary of how and what statistics are being tracked.
 - If yes, please provide:
 - A three-year look-back
 - A breakdown of peer reviewers and areas of industries and specialties
 - Whether there is/will be a population increase or decrease
 - If no, describe your ability to produce the requested statistics.

The PROC requests that AICPA provide this information by July 31, 2017. This will allow the PROC to review the information at its August 25, 2017 meeting.

The PROC appreciates the cooperation of the AICPA and CalCPA in providing this important information. Should you have any question regarding this matter, please direct them to Dominic Franzella, Chief, Enforcement Division by telephone at (916) 561-4310 or by email at dominic.franzella@cba.ca.gov.

Sincerely,



Jeffrey De Lyser, CPA, Chair
Peer Review Oversight Committee

c: Members, California Board of Accountancy
Members, Peer Review Oversight Committee
Leona Johnson, National Association of State Boards of Accountancy Staff Liaison,
Compliance Assurance Committee
Patti Bowers, Executive Officer

July 10, 2017

Attachment 3

Jeffrey De Lyser, CPA
California Board of Accountancy Peer Review Oversight Committee
2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833

Dear Mr. De Lyser:

The American Institute of Certified Public Accountants (AICPA) and the California Society of Certified Public Accountants (CalCPA) are pleased the California Board of Accountancy Peer Review Oversight Committee (CBA PROC) is focusing attention on the population of peer reviewers and appreciate the opportunity to share a brief overview of efforts to strengthen and grow the peer reviewer pool.

One of the responsibilities of the Peer Review Board's (PRB's) Education and Communications Task Force (ECTF) is to oversee efforts to increase the pool of peer reviewers and improve the quality of reviews performed. In 2009, the ECTF commenced a multi-faceted effort to address common concerns of reviewers while driving an increase in the pool. Through this effort, the ECTF:

- Conducted a marketing and communications campaign to encourage practitioners to become peer reviewers;
- Established new, more accessible alternatives for meeting peer reviewer educational requirements;
- Developed a revised approach to on-boarding new peer reviewers; and
- Established a mechanism for measuring the capacity of the peer reviewer pool.

To measure capacity, the AICPA tracks "firms per reviewer," which is computed by dividing the number of firms enrolled in the program by the number of active reviewers in the pool. The AICPA defines an "active reviewer" as a team captain or team member who performed a review in the preceding twelve months.

Collectively, the ECTF's efforts had the desired effect, as illustrated in the table below.

Year	# of Active Reviewers	# of Enrolled Firms	Firms Per Reviewer
2010	1,582	28,660	18.12
2011	1,674	28,189	16.84
2012	1,853	28,584	15.43
2013	1,776	28,107	15.83
2014	1,806	27,388	15.17
2015	1,816	26,896	14.81
2016	1,744	25,553	14.65

Mr. De Lyser
July 10, 2017
Page 2 of 2

While this approach indicated the peer reviewer pool's capacity at a specific point in time, it did not consider the future capacity of the pool. Accordingly, in 2014, the AICPA added three questions to its annual Peer Review Customer Satisfaction Survey:

1. How many peer reviews do you perform every three years?
2. If you are interested in expanding your peer review practice, how many additional peer reviews would you like to perform each year?
3. In what year do you expect to retire?

More than 350 reviewers responded to these questions, with the responses indicating that reviewers (especially those under 55 years old) had strong interest in expanding their peer review practices. In addition, while nearly one-half of reviews were performed by reviewers 61 or older, many of those individuals (approximately 40%) did not intend to retire before 2020.

The AICPA used the responses to calculate the capacity of the peer reviewer pool to take on additional reviews and the expected decrease in that capacity as reviewers retire. Based on the analysis, the AICPA concluded that, over a 10-year timeframe, the existing reviewer pool had the capacity to absorb expected peer reviewer retirements without increasing firms per reviewer on a national basis.

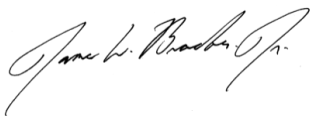
Most recently, in April 2017, the AICPA determined that monitoring of firms per reviewer should be performed on a state-by-state basis. By analyzing firms and peer reviewers located in each state, the AICPA identified certain states where trending was not consistent with national averages. One of those states was California, which at 30.25 firms per reviewer, had the highest ratio of any state in 2016. The AICPA is currently performing additional analysis by industry specialty and types of engagements performed.

In May of this year, I met with the CalCPA Peer Review Committee. The purpose of my visit was to better understand the challenges peer reviewers and firms are facing in California. One of the topics discussed was the peer reviewer pool.

Moving forward, AICPA staff and CalCPA staff will develop a plan to encourage qualified individuals to become peer reviewers – both as team captains and as subject matter expert team members. As plans are developed, we will share them with the CBA PROC.

If you have any additional questions, I would be happy to speak with you.

Sincerely,



James W. Brackens, Jr., CPA, CGMA
VP – Ethics and Practice Quality – PA

Cc: Linda McCrone, CPA

July 26, 2017

Attachment 4

Jeffrey De Lyser, CPA
California Board of Accountancy Peer Review Oversight Committee
2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833

Dear Mr. De Lyser,

The California Society of Certified Public Accountants (CalCPA) appreciates the efforts of the California Board of Accountancy (CBA) and the Peer Review Oversight Committee (PROC) to assess and support the population of qualified peer reviewers serving California licensees. Since the enactment of mandatory peer review, CalCPA and the PROC have worked closely to implement a peer review program that allows licensees to meet their compliance obligations and support the CBA's public protection mandate. As part of their oversight responsibilities, members of the PROC have been present at all important activities of CalCPA's peer review program. CalCPA peer review staff also regularly attend PROC meetings to provide public comment.

Since CalCPA is the administrator of the AICPA peer review program in California we use the AICPA database, standards, and regulations. As such, we do not have the data to be able to appropriately provide all of the information that you are requesting in your letter dated May 31, 2017. Specifically, we do not have sufficient data to determine a detailed benchmark for the number of peer reviewers or how this might have changed overtime. James Brackens, AICPA's Vice-President of Ethic and Practice Quality, in his letter dated July 10, 2017 has provided some statistics on the peer review population in California and information on the AICPA's efforts to grow the pool of peer reviewers.

However, CalCPA's annual peer review oversight report does state the number of peer reviewers in California. For 2015, there were 167 reviewers in California, for 2014 there were 163 reviewers, and for 2013 there were 151 reviewers. The 2016 report is expected to be released later this fall. Though, we do not have statistics about the particular industry experiences of this population. Our reports are public record and can be found on our website <http://www.calcpa.org/peer-review/peer-review-reports>.

In efforts to assist licensees needing peer reviews, CalCPA does provide online resources to firms to assist them in finding peer reviewers. This includes a directory of peer reviewers that is updated yearly where peer review firms can list an expertise and add a few lines of descriptive text. This assists a licensee in finding a peer reviewer that best fits the types of service they provide. California is also one of the few states that still offers a Committee Appointed Review Team (CART) for engagement reviews. Firms that only perform compilations and reviews can choose the CART program and not have to search for a peer reviewer. Instead, CalCPA's peer review program uses a pool of independent contractors to perform the peer review engagements for the firm. The AICPA also has resources to assist firms in finding peer reviewers including a national database to search by industry that is extremely helpful.

Additionally, since the AICPA peer review program is national program where everyone follows the same standards and uses the same guidance, California licensees are not limited to only California reviewers. For example, if the peer review team captain on a system review does not have the necessary

expertise, they can assemble team members with the appropriate expertise to remotely review the audits, while the team captain performs the peer review at the firm's office. This helps widen the p expertise for firms and peer reviewers.

As the AICPA continues to evolve the peer review program, CalCPA remains an active participant in the process. Two members of CalCPA's Peer Review Committee are also members of the AICPA Peer Review Board. Being a part of the national discussions helps CalCPA shape the program and appropriately incorporate national changes. The pool of peer reviewers is a topic of discussion nationally.

CalCPA's Peer Review Committee and staff remain committed to the peer review process and will continue to work with the CBA, PROC, and AICPA to ensure that pool of peer reviewers is sufficient and that the program continues to be a successful public protection tool. Thank you for the opportunity to provide input and please do not hesitate to contact us should you have any questions.

Sincerely,

Linda McCrone, CPA
Division Director Technical Services
cc: James Brackens



California Board of Accountancy
2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833

phone: (916) 263-3680 fax: (916) 263-3675 web: www.cba.ca.gov



Attachment 5

September 25, 2017

James Brackens, CPA, CGMA
Vice President, Ethics & Practice Quality, Public Accounting
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707-8110

Linda McCrone, CPA
Division Director of Technical Services
California Society of CPAs
1800 Gateway Drive, Suite 200
San Mateo, CA 94404-4072

Dear Mr. Brackens and Ms. McCrone:

The California Board of Accountancy (CBA) would like to thank you for your prompt responses to the CBA Peer Review Oversight Committee (PROC) letter of inquiry and request for a written response detailing any established benchmarks identified by the American Institute of Certified Public Accountants (AICPA) and/or California Society of CPA (CalCPA) to monitor and assess the peer reviewer population.

The CBA is seeking assistance from the AICPA and CalCPA, to provide further clarification on statistics pertaining to the peer reviewer population.

The CBA requests that the AICPA address the following previously asked questions:

- Identification of benchmarks to determine the appropriate ratio of enrolled firms to active peer reviewers
- Maintenance of statistical information on a breakdown of peer reviewers and areas of industries and specialties
- Clarify its ability to produce the requested statistics

Additionally, after reviewing and discussing the AICPA's and CalCPA's letters, the CBA identified key areas of concerns requiring clarification. Those areas are:

- Aging population
 - AICPA noted of the 350 survey responses, nearly half of peer reviews were performed by reviewers 61 years of age or older, and of those individuals, approximately 60 percent intend to retire before 2020.

- How will the existing pool of peer reviewers have the capacity to absorb the workload of the reviewers expecting to retire without increasing the peer reviewer population?
- Specialized industries
 - AICPA did not specify if any of the 60 percent of the reviewers intending to retire before 2020 performed engagement reviews, system reviews, system reviews under must-select, *i.e.*, Employee Retirement Income Security Act of 1997 (ERISA) or single audits and whether they were California reviewers
 - Out of the 60 percent of the reviewers intending to retire before 2020, how many performed engagement reviews, system reviews, system reviews under must-select, *i.e.*, Employee Retirement Income Security Act of 1997 (ERISA) or single audits? How many are California reviewers?
- Additional information and data on the California peer reviewer population
 - AICPA indicated that the ratio of enrolled firms to active reviewers was approximately 30 to 1, which is double the national ratio 15 to 1
 - AICPA did not identify what is considered a high-volume peer reviewer for California.
 - What is considered a “high-volume peer reviewer” for California?

The CBA requests that AICPA and CalCPA address previously unanswered questions and the identified areas of concern.

The PROC requests that AICPA and CalCPA provide a written response by October 31, 2017. This will allow the PROC to review the information at its December 8, 2017 meeting.

The CBA appreciates the cooperation of the AICPA and CalCPA in providing this important information. Should you have any question regarding this matter, please direct them to Dominic Franzella, Chief, Enforcement Division by telephone at (916) 561-4310 or by email at dominic.franzella@cba.ca.gov.

Sincerely,



Alicia Berhow, President
California Board of Accountancy

James Brackens, CPA, CGMA

Linda McCrone, CPA

September 25, 2017

Page 3

c: Members, California Board of Accountancy

Members, Peer Review Oversight Committee

Leona Johnson, National Association of State Boards of Accountancy Staff Liaison,
Compliance Assurance Committee

Patti Bowers, Executive Officer



October 30, 2017

Alicia Berhow, President
California Board of Accountancy
2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833

Dear Ms. Berhow:

The American Institute of Certified Public Accountants (AICPA) and the California Society of Certified Public Accountants (CalCPA) continue to be pleased the California Board of Accountancy (CBA) is focusing attention on the population of peer reviewers and, to the extent we can, are happy to provide information to better inform you of our collective efforts to strengthen and grow the peer reviewer pool.

In your letter dated September 25, 2017, you requested we provide additional information. I am happy to provide the information we have. Please understand we are at present constrained by our new peer review technology platform (PRIMA). PRIMA was launched earlier this year and we experienced difficulties; some dealt with the technology, but most were related to a steep learning curve for our users, including CPAs who were not as technically proficient as we had expected.

PRIMA can generate a variety of reports, but each one must be specifically programmed. Due to the technology adjustment of many users, our staff has had to devote virtually all their time providing user support, as well as working on critical fixes to the system. Thus, the reporting capabilities have not yet been finalized to enable us to provide much of the information you have requested.

However, we recently added four new support staff and will soon add another two. As a result, we are now developing reports that will provide the data to inform our peer reviewer pool enhancement efforts. To the extent possible, we are including your information requests in our programming requirements and will provide the information as soon as we can.

With this in mind, below are the answers we can provide to the questions you posed in your most recent letter.

- We have not identified benchmarks to determine an "appropriate ratio of enrolled firms to active peer reviewers." Instead, we analyze the ratios by geographic area to focus our efforts in areas where the ratio of firms to reviewers is significantly lower than the national norm of 15 to 1.
- We will develop reports that breakdown peer reviewers by certain industry specialties (our

"must-select" areas, such as Single Audits and Employee Benefit Plan Audits). As noted above, we expect to extract this data from the PRIMA system.

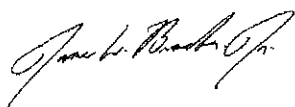
- When we surveyed reviewers, requesting both their expected years to retirement and their willingness to take on additional peer reviews, we determined there would be a sufficient number of reviewers in the existing pool to handle the reviews of those retiring before 2020. We used 2020 as the target date, as we were obtaining data to inform the development of a five-year plan for peer review, of which the potential need to focus resources on the peer reviewer pool was one of several possible initiatives under consideration.
- We are not able to provide additional information about the "60 percent of reviewers intending to retire before 2020." The survey was anonymous, so we cannot determine the types of reviews the respondents perform, their industry expertise, etc.
- We consider "high volume reviewers" to be those who, collectively, perform 80% of the reviews nationally. Typically, this has constituted approximately 30% of the reviewer population. When we last ran this report, we did not include the "state where reviews were performed" as a reporting criterion, so we cannot easily identify "California reviewers." Bear in mind such a reviewer may reside outside the state of California. We will use this criterion in the reports currently under development.

As I indicated in my prior letter, AICPA and CalCPA staff will collaborate in an initiative to encourage qualified individuals to become peer reviewers – both as team captains and subject matter expert team members. AICPA staff have met to develop specific plans, incorporating information we will obtain from PRIMA reporting. I will also work with CalCPA to refine the strategy specific to California in the coming weeks.

Additionally, Linda McCone of CalCPA and I can be available to attend an upcoming CBA meeting to discuss our efforts and elaborate on our response to your inquiries. Please let me know if there is an upcoming meeting appropriate to continue our discussion.

In the meantime, if you have any additional questions, I would be happy to speak with you.

Sincerely,



James W. Brackens, Jr., CPA, CGMA
VP – Ethics and Practice Quality – PA

c: Linda McCrone, CPA
Dominic Franzella, Chief, CBA Enforcement Division

October 30, 2017

Attachment 7

Alicia Berhow, President
California Board of Accountancy
2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833

Dear Ms. Berhow,

Thank you for reaching out to the California Society of Certified Public Accountants (CalCPA) about additional information about the peer reviewer population serving California licensees. We appreciate the California Board of Accountancy's (CBA) attention to this important matter.

As noted in our previous letter (dated July 26, 2017), CalCPA is the administrator of the AICPA peer review program in California and rely upon the AICPA's database, standards, and regulations. As such, we have limited access to data outside of what is included in CalCPA's annual peer review oversight report, which is incorporated into the CBA's Peer Review Oversight Committee Annual Report.

Specific to the AICPA's ability to provide the requested data, we understand that the AICPA is limited in what statistics and data they are able to provide due to challenges with the implementation of a new peer review technology platform (PRIMA). This new system, which was launched earlier this year, requires additional programming to utilize its full capabilities. However, we understand that the AICPA is currently working on incorporating the metrics highlighted by the CBA into PRIMA's reporting. Once these data points become available, we hope to work closely with the CBA to assess and monitor the peer review population for California.

When analyzing the peer review data, the CBA should distinguish between the number of engagement reviews and system reviews. Engagement reviews for firms that only issue compilations and/or reviews are generally simpler, have fewer matching requirements, and require less time and resources for a peer reviewer. System reviews for firms that perform audits, require more time, resources, and likelihood of matching of reviewers with specialized audit knowledge of the particular industry. For example in our annual report on oversight for calendar year 2015, we accepted 1,022 engagement reviews and 532 system reviews for a total of 1,554 reviews for firms in California. This report, and prior year reports, can be found on the peer review section of CalCPA's website.

In the meantime, CalCPA continues to take the steps that we can to expand the peer reviewer pool. CalCPA's Peer Review Committee will be discussing this issue at their November 2017 meeting. Jeffrey De Lyser, Chair of the CBA's Peer Review Oversight Committee will be attending this meeting.

Specifically, we worked with the CalCPA Education Foundation to add additional classes and flexible offerings. This year, existing peer reviewers could meet the expanded education requirement of the program by attending in person or by web the Annual Accounting and Auditing Conference. Beginning next year for CPAs wanting to become peer reviewers, the required in-person training will be offered in California every year alternating between northern and southern California. We will be communicating

and encouraging participation through CalCPA's existing communication channels as well as through our existing network of peer reviewers.

Additionally, we will continue to work with the AICPA Peer Review Program on recruit efforts to attract and train more CPAs to become peer reviewers. This will include working with the AICPA to create and utilize recruiting materials specifically for the peer review program in California. These outreach efforts will further be informed and improved by additional data points that will be available from PRIMA.

Thank you for the opportunity to provide comments and we will continue to work with the CBA and other stakeholders to ensure the peer review program continues to be a successful public protection tool. I am available to attend an upcoming California Board of Accountancy meeting to elaborate on our efforts.

Sincerely,

A handwritten signature in cursive script that reads "Linda McCrone".

Linda McCrone, CPA
Division Director Technical Services

c: James Brackens, VP – Ethics and Practice Quality, AICPA
Dominic Franzella, Chief, CBA Enforcement Division



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CBA Item V.C.5.
January 18, 2018

Discussion and Possible Action Regarding Peer Review Oversight Committee Member Qualification Criteria

Presented by: Dominic Franzella, Chief, Enforcement Division

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) the opportunity to consider and approve a proposed revision (**Attachment 1**) to the qualifications for Peer Review Oversight Committee (PROC) membership.

Consumer Protection Objectives

The CBA Peer Review Program is an important component of the CBA's mission to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with applicable professional standards. The CBA approves committee member appointments to the PROC and ensures that those committee members have the appropriate experience and skill set to oversight and report to the CBA regarding the overall effectiveness of the Peer Review Program.

Action(s) Needed

The CBA is being asked to approve the proposed changes to the minimum qualifications within the PROC Procedures Manual (PROC Manual).

Background

The PROC derives its authority from Business and Professions Code (BPC) section 5076.1 (**Attachment 2**) and CBA Regulations section 47 (**Attachment 3**), which states that the CBA shall appoint a peer review oversight committee of certified public accountants of this State who maintain a license in good standing and who are authorized to practice public accountancy to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

The current roles and responsibilities of the PROC, as indicated in the PROC Manual are as follows:

- Hold meetings as necessary in order to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.

Discussion and Possible Action Regarding Peer Review Oversight Committee Member Qualification Criteria

Page 2 of 3

- Ensure that Board-recognized peer review program providers (Provider) administer peer reviews in accordance with the standards set forth in CBA Regulations section 48:
 - Conduct an annual administrative site visit.
 - Attend peer review board meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Attend peer review committee meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Attend meetings conducted for the purposes of accepting peer review reports, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Conduct reviews of peer review reports on a sample basis.
 - Attend, on a regular basis, peer reviewer training courses.
- Evaluate any *Application to Become A Board-recognized Peer Review Provider* and recommend approval or denial to the CBA.
- Refer to the CBA any Provider that fails to respond to any request.
- Collect and analyze statistical monitoring and reporting data from each Provider on an annual basis.
- Prepare an Annual Report to the CBA regarding the results of its oversight.
- Evaluate Peer Reviewer Population.

The CBA established the minimum qualifications for the PROC in 2008 during its initial development of key policy issues associated with establishing mandatory peer review. The minimum qualifications, which are listed under section I.C. – Membership in the PROC Manual, are as follows:

- The PROC shall be comprised of not more than seven licensees.
- The licensees shall maintain a valid and active license to practice public accounting in California issued by the CBA.
- No member of the committee shall be a current member or employee of the CBA.
- All members of the PROC, at a minimum, must:
 - Be a California-licensed CPA with an active license to practice in good standing in this State, with the authority to sign attest reports.
 - Be currently active in the practice of public accounting in the accounting and auditing function of a firm enrolled in the American Institute of Certified Public Accountants (AICPA) Peer Review Program as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities.
 - Regularly sign attest reports and have extensive experience in performing accounting and auditing engagements.
 - Have completed the 24-hour Accounting and Auditing and four-hour Fraud continuing education requirements for license renewal, as prescribed by Title 16, CCR section 87.
 - Be associated with a firm, or all firms if associated with multiple firms, that received a report with the peer review rating of pass for its most recent peer review.

Discussion and Possible Action Regarding Peer Review Oversight Committee Member Qualification Criteria

Page 3 of 3

- Have extensive knowledge of the AICPA's *Standards for Performing and Reporting on Peer Reviews*.

Comments

When the CBA established the PROC, the minimum qualifications for committee members, were largely derived from the criteria established by AICPA as minimum qualifications for Team Captains that perform System Peer Reviews. As the PROC now has over eight years of experience of performing oversight functions it appears that ensuring the individuals appointed to the PROC maintain a strong background in auditing functions and financial statement are the primary qualifications.

Staff is proposing a revision to the minimum qualifications within the PROC Manual, under section I.C., Membership (**Attachment 1**), including the removal of two items as minimum qualifications. These two items will continue to be listed in the qualifications, but rather than be minimum qualifications, they will now be listed as desirable qualifications.

- Be currently active in the practice of public accounting in the accounting and auditing function of a firm enrolled in the AICPA Peer Review Program as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities.
- Be associated with a firm, or all firms if associated with multiple firms, that received a report with the peer review rating of pass for its most recent peer review.

The proposed changes will broaden the candidate pool for PROC membership and be less stringent to unnecessarily exclude candidates that may not be currently engaged in the peer review program. This will allow the CBA to appoint committee members with valuable relevant experience and continuing education to appropriately provide insight to the PROC.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendations

Staff recommends that the CBA discuss and approve the proposed changes to the membership criteria for PROC members as outlined in the PROC Procedures Manual (**Attachment 1**).

Attachments

1. Excerpt of PROC Procedures Manual
2. Business and Professions Code Section 5076.1
3. CBA Regulations Section 47

SECTION I - INTRODUCTION

This procedure manual contains guidance assembled by the California Board of Accountancy (CBA) Peer Review Oversight Committee (PROC) to be used by the PROC and in its peer review oversight roles and responsibilities as described herein. The peer review process uses a significant number of terms and acronyms that have been provided in the glossary (**APPENDIX A**). In addition, to provide a visual aid for the PROC's place in the peer review process, an organizational structure chart is included (**APPENDIX B**).

A. AUTHORITY

The PROC derives its authority from Business and Professions Code (BPC) section 5076.1 and California Code of Regulations (CCR) sections 38-48.5 (**APPENDICES C & D**) as follows: The CBA shall appoint a peer review oversight committee of certified public accountants of this State who maintain a license in good standing and who are authorized to practice public accountancy to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

The composition and function of the PROC is further defined in Title 16, CCR section 47.

B. PURPOSE

The purpose of the PROC is to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review. (BPC section 5076.1)

C. MEMBERSHIP

The PROC shall be comprised of not more than seven licensees. The licensees shall maintain a valid and active license to practice public accounting in California issued by the CBA. No member of the committee shall be a current member or employee of the CBA. (BPC section 5076.1(a), CCR section 47)

All members of the PROC, at a minimum, must:

- Be a California-licensed CPA with an active license to practice in good standing in this State, with the authority to sign attest reports.
- ~~Be currently active in the practice of public accounting in the accounting and auditing function of a firm enrolled in the American Institute of Certified Public Accountants AICPA Peer Review Program as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities.~~
- Regularly sign attest reports and have Have extensive experience in performing accounting and auditing engagements.
- Have completed the 24-hour Accounting and Auditing and four-hour Fraud continuing education requirements for license renewal, as prescribed by Title 16, CCR, section 87.
- ~~Be associated with a firm, or all firms if associated with multiple firms, that received a report with the peer review rating of pass for its most recent peer review.~~
- Have extensive knowledge of the AICPA's *Standards for Performing and Reporting on Peer Reviews*.

Desirable Qualifications:

- Be currently active in the practice of public accounting in the accounting and auditing function of a firm enrolled in the American Institute of Certified Public Accountants AICPA Peer Review Program as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities.
- Be associated with a firm, or all firms if associated with multiple firms, that received a report with the peer review rating of pass for its most recent peer review.



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Attachment 2

BUSINESS AND PROFESSIONS CODE DIVISION 3. Professions and Vocations Generally CHAPTER 1. Accountants ARTICLE 4. Applications, Registrations, Permits Generally

§ 5076.1. Peer Review Oversight Committee.

(a) The board shall appoint a peer review oversight committee of certified public accountants of this state who maintain a license in good standing and who are authorized to practice public accountancy to provide recommendations to the board on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

(b) The committee may request any information from a board-recognized peer review program provider deemed necessary to ensure the provider is administering peer reviews in accordance with the standards adopted by the board in regulations. Failure of a board-recognized peer review program provider to respond to the committee shall result in referral by the committee of the provider to the board for further action. Any information obtained by the board, its representatives, or the peer review oversight committee in conjunction with its review of peer review program providers shall not be a public record, and shall be exempt from public disclosure, provided, however, this information may be disclosed under any of the following circumstances:

- (1) In connection with disciplinary proceedings of the board.
 - (2) In connection with legal proceedings in which the board is a party.
 - (3) In response to an official inquiry by a federal or state governmental regulatory agency.
 - (4) In compliance with a subpoena or summons enforceable by court order.
 - (5) As otherwise specifically required by law.
- (c) The members of the committee shall be appointed to two-year terms and may serve a maximum of four consecutive terms.
- (d) The board may adopt, as necessary, regulations further defining the minimum qualifications for appointment as a committee member and additional administrative elements designed to ensure the effectiveness of mandatory peer review.

(Amended by Stats. 2011, Ch. 448, Sec. 9. Effective January 1, 2012.)



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Attachment 3

CALIFORNIA CODE OF REGULATIONS
Title 16. Professional and Vocational Regulations
DIVISION 1. Board of Accountancy Regulations
ARTICLE 6. Peer Review

§ 47. Peer Review Oversight Committee.

- (a) The Peer Review Oversight Committee shall be comprised of not more than seven licensees. The licensees shall maintain a valid and active license to practice public accounting in California issued by the Board.
- (b) No member of the committee shall be a current member or employee of the Board.
- (c) The committee shall hold meetings as necessary in order to conduct business and shall report to the Board regarding the effectiveness of mandatory peer review. This shall include an annual report to the Board regarding the results of its oversight, and shall include the scope of work, findings, and conclusions regarding its oversight.
- (d) The committee is authorized to request from a Board-recognized peer review program provider those materials necessary to perform its review.
- (e) Should a Board-recognized peer review program provider fail to respond to any request, the committee shall refer the matter to the Board.
- (f) The committee shall review and recommend to the Board for approval peer review program provider applications for recognition by the Board.

Note: Authority cited: Sections 5010 and 5076.1, Business and Professions Code.

Reference: Section 5076.1, Business and Professions Code.



California Board of Accountancy

ENFORCEMENT ACTIVITY REPORT

www.cba.ca.gov

As of November 30, 2017

COMPLAINTS RECEIVED

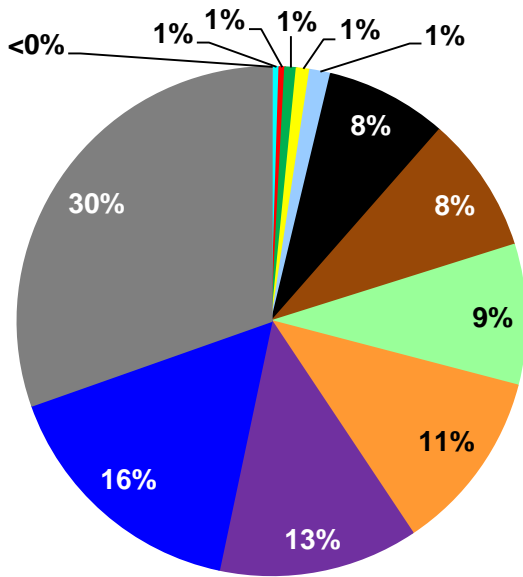
The California Board of Accountancy's Enforcement Division receives complaints from both internal and external sources. Complaints received are issued complaint numbers and assigned a Complaint Type (CT) based on the initial matter identified. The CT may change as the case investigation proceeds and may result in multiple violations.

Complaints/Records of Convictions Received

FY 2017/18 (5 months of data)	829 Received -Internal 542 -External 287
FY 2016/17	2,508 Received -Internal 1,904 -External 604
FY 2015/16	2,735 Received -Internal 2,251 -External 484

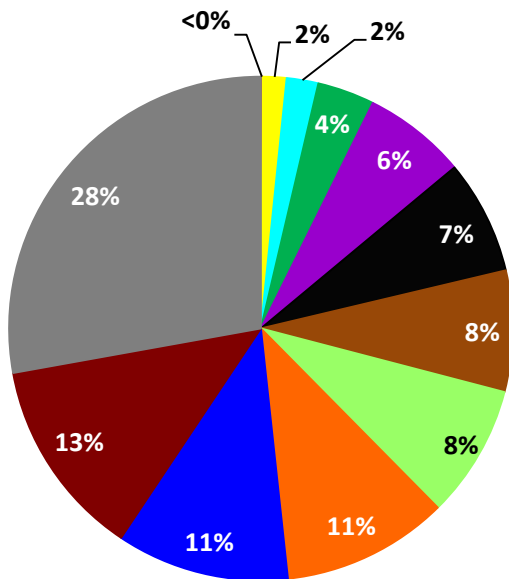
- Through the first five months of fiscal year (FY) 2017/18, the CBA has received 829 complaints, with 65 percent of these complaints being internal referrals.
- The percentage of external complaints compared to prior FYs, especially FY 2015/16, have increased. The increase of external complaints received is due to a change with internal procedures relating to coding of referral source, specifically referrals from governmental agencies and the Security Exchange Commission, from internal to external.

COMPLAINT TYPES RECEIVED



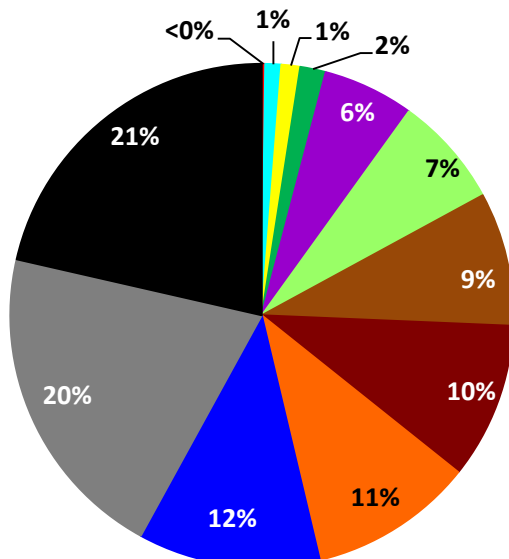
FY 2017/18

- Department of Justice (<0%, 1)
- Audit (1%, 3)
- Department of Labor Referrals (1%, 3)
- Practice Privilege (1%, 6)
- PCAOB/SEC and Out-of-State (1%, 7)
- Reportable Events (1%, 11)
- Convictions and Subsequent Arrest (8%, 64)
- Tax (8%, 72 Complaints)
- Applications (9%, 74)
- Unlicensed Activity (11%, 96)
- Other (13%, 105)
- Peer Review Related (16%, 135)
- Renewal Deficiency (30%, 252)



FY 2016/17

- Department of Labor Referrals (<0%, 3)
- PCAOB/SEC and Out-of-State (2%, 38)
- Audit (2%, 51)
- Practice Privilege (4%, 92)
- Other (6%, 166)
- Convictions and Subsequent Arrest (7%, 184)
- Tax (8%, 195)
- Applications (8%, 214)
- Unlicensed Activity (11%, 268)
- Peer Review Related (11%, 278)
- Accounting Licensee Database (13%, 321)
- Renewal Deficiency (28%, 698)



FY 2015/16

- Department of Labor Referrals (<0%, 6)
- Audit (1%, 28)
- PCAOB/SEC and Out-of-State (1%, 33)
- Practice Privilege (2%, 45)
- Other (6%, 160)
- Applications (7%, 195)
- Tax (9%, 235)
- Accounting Licensee Database (10%, 275)
- Unlicensed Activity (11%, 289)
- Peer Review Related (12%, 320)
- Renewal Deficiency (20%, 563)
- Convictions and Subsequent Arrest (21%, 586)

INVESTIGATIONS

The number of complaints assigned for investigations and closed.

Investigations	FY 2015/16	FY 2016/17	FY 2017/18 5 months of data
Investigations Assigned	2,040	2,185	816
Investigations Closed	2,150	2,222	967
Average Days to Close	177	175	242

- Staff closed 967 cases in the first five months of FY 2017/18. The volume of cases closed reflects a trend that indicates the number of cases being closed outpaces investigations assigned.
- Since the September 30, 2017 report, the average number of days to close decreased from 244 to 242. Although 90 of the cases closed were from the aging inventory and it directly affects the average number of days to close, the decrease in the average number of days to close indicates that the rate of cases being closed outpaces investigation assigned.

INVESTIGATIONS PENDING

Investigations Pending	FY 2015/16	FY 2016/17	FY 2017/18 5 months of data
Total Investigations Pending	1,056	1,080	923
0-6 Months	506	545	533
6-12 Months	203	250	187
12-18 Months	200	95	92
18-21 Months	37	24	17
21-24 Months	30	52	22
>24 Months	80	114	72
Average Age of Open Cases (days)	210	172	240

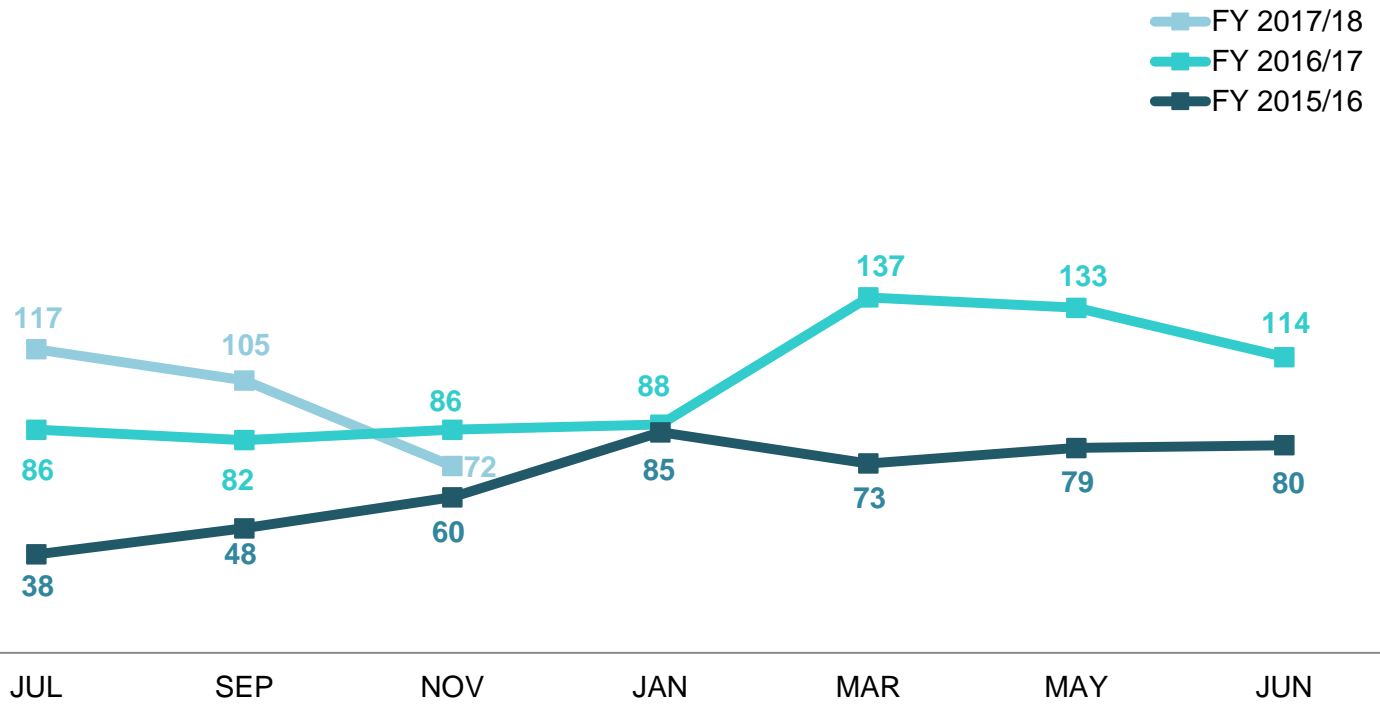
As of September 30, 2017, there were 105 investigations pending over 24 months. Since then, staff have closed 40 cases and accrued seven additional cases, resulting in 72 investigations pending over 24 months as of November 30, 2017. Of the 72 investigations, staff have completed or are near completion on 25 of the cases, as follows:

- Seven cases will be closed as of the next report
- One case has been referred to the Attorney General's (AG) Office
- 16 cases have an investigation report completed and will be referred to the AG's Office
- One case has been referred for issuance of a citation

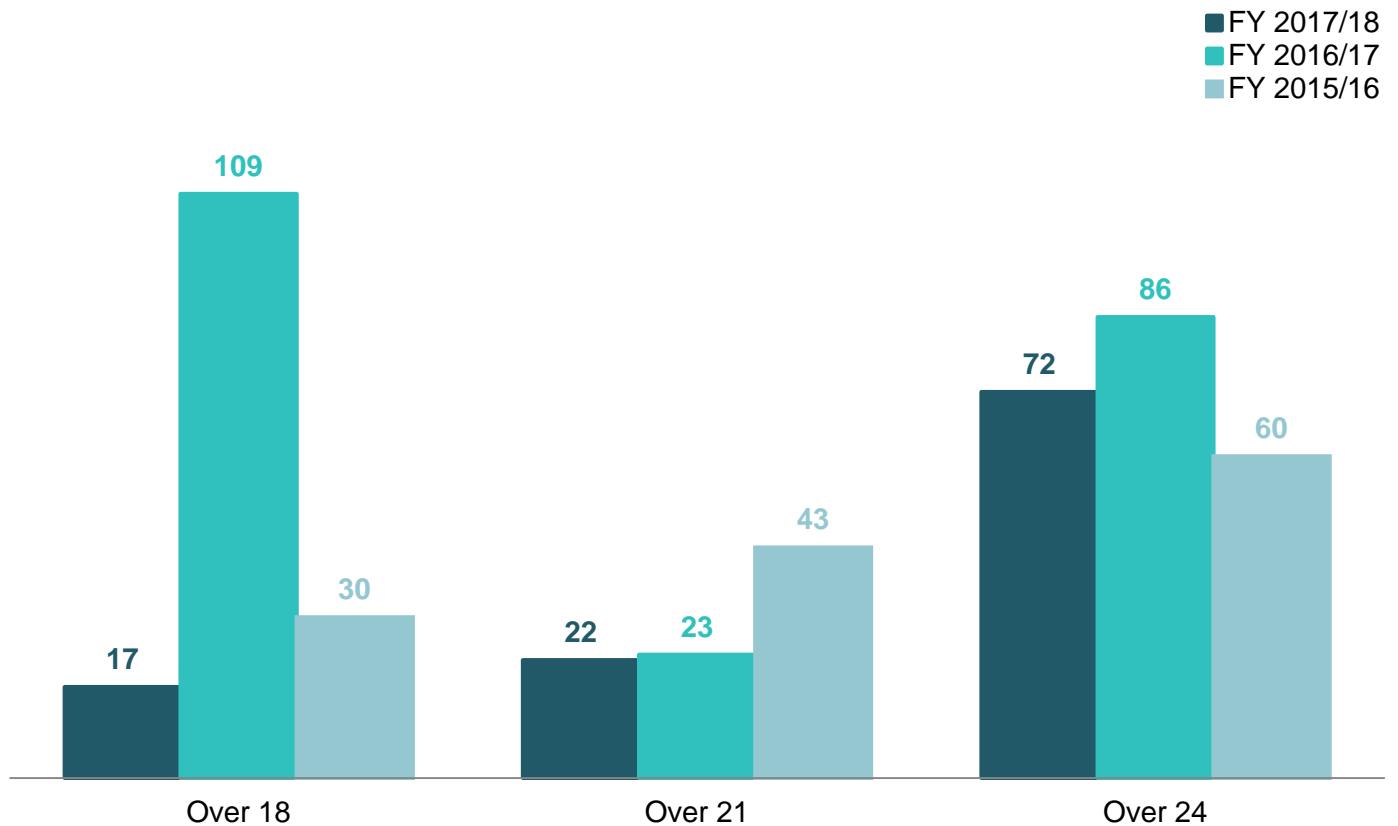
Staff closed 77 cases over 24 months for the first five months of FY 2017/18.

- Although 90 of the 967 cases closed for FY 2017/18 were over 24 months, the average age of open cases decreased from 266 to 240, since the last report, a reduction of 26 days.

INVESTIGATIONS PENDING | OVER 24 MONTHS



INVESTIGATIONS PENDING | OVER 18, 21, and 24 MONTHS – NOVEMBER TRENDS

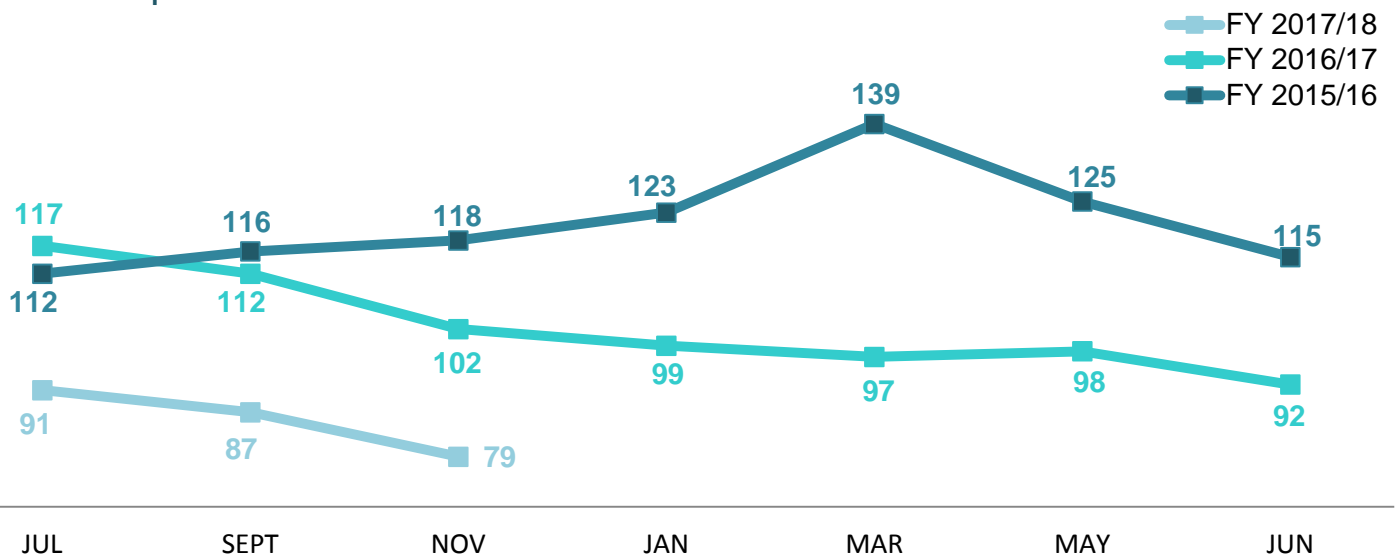


DISCIPLINE

As part of its mission of consumer protection, the CBA referred matters to the AG's Office, for imposition of discipline.

Discipline	FY 2015/16	FY 2016/17	FY 2017/18 5 months of data
Attorney General Referrals	105	83	38
Accusations Filed	90	98	26
Statement of Issues Filed	2	1	1
Petition for Revocation Filed	5	6	2

DISCIPLINE | COMPLAINTS PENDING at AG'S OFFICE



There are 79 disciplinary cases pending at the AG's Office as of November 30, 2017.

During the September FY 2017/18 report, there were 87 complaints pending at the AG's Office. As of November FY 2017/18, there were 79 complaints pending at the AG's Office, a nine percent decrease. Staff worked diligently to address aging disciplinary cases by actively monitoring for the filing of a Notice of Defense (NOD). If no NOD is received, staff request that the AG's Office prepare a default decision. When an NOD is received, staff work quickly to offer settlement terms and if a settlement cannot be reached, to set the matter for hearing.

DISCIPLINE | AGE of COMPLAINTS PENDING at AG'S OFFICE

Pending at AG	FY 2015/16	FY 2016/17	FY 2017/18 5 months of data
0-6 Months	54	44	42
6-12 Months	30	23	20
12-18 Months	13	13	9
18-21 Months	2	1	3
21-24 Months	5	4	0
>24 Months	8	7	5

There are five cases pending at the AG's Office for more than 24 months. The current status of the cases are as follows:

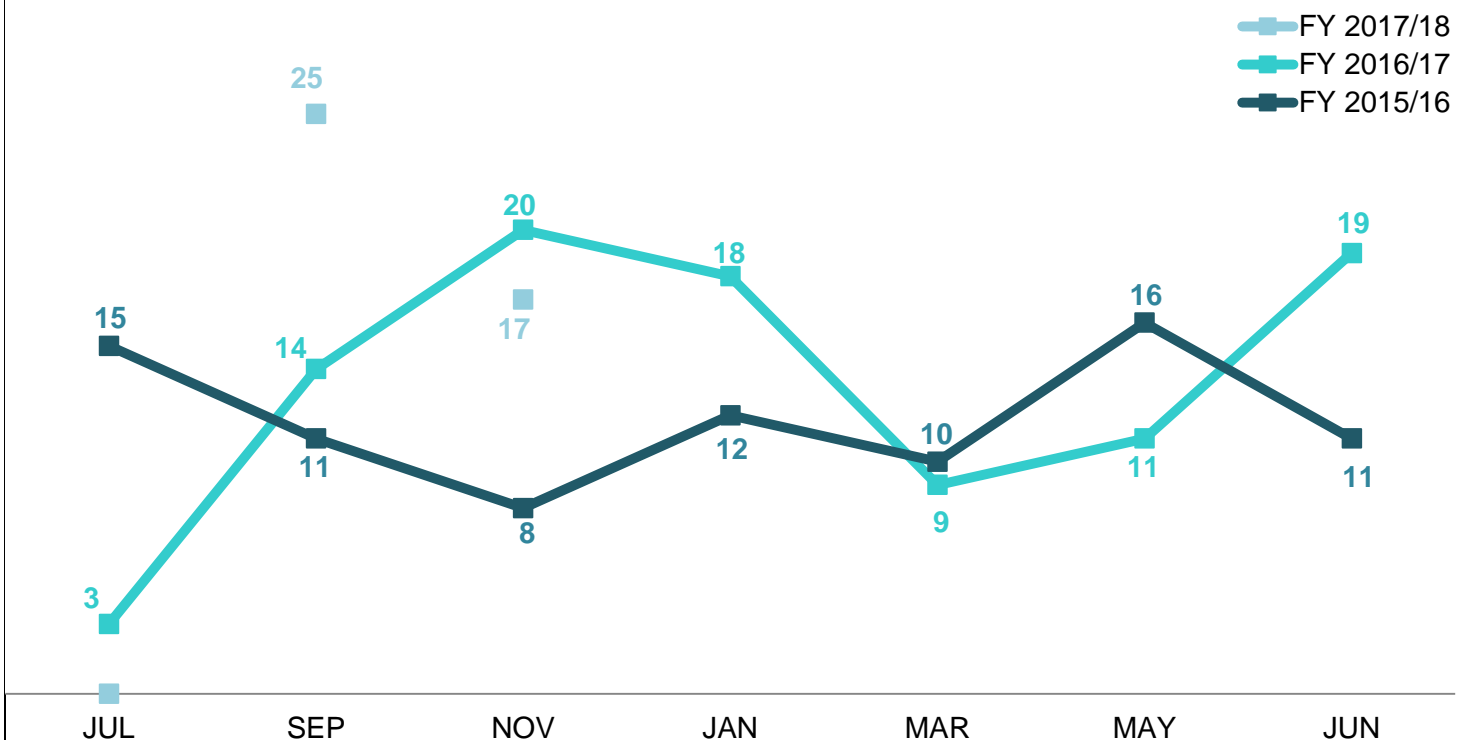
- A Writ was filed with the California Superior Court in August 2012 following adoption of a proposed decision and denial of a Petition for Reconsideration in July 2012. A decision was issued on August 28, 2014 denying the writ of mandate. The stay previously issued was dissolved and the CBA's decision revoking the Petitioner's license became effective. The Petitioner immediately filed a Notice of Appeal with the Appellate Court seeking a stay of the decision. The motion requesting a trial was denied at a hearing on December 12, 2014. The CBA submitted its appeal at the Board meeting in October 2017. A ruling from the Court of Appeals is pending.
- Three cases have adopted decisions and are scheduled to take effect in December of 2017.
- One case has an accusation filed and staff is working to obtain settlement or have the matter set for hearing.
- Of the 79 cases at the AG's Office, over 50 percent are less than six months.

DISCIPLINE | FINAL ORDERS

Disciplinary Actions	FY 2015/16	FY 2016/17	FY 2017/18 5 months of data
Final Decision Orders	83	94	42
-Stipulated Settlement	56	74	28
-Proposed Decision	3	7	4
-Default Decision	24	13	10

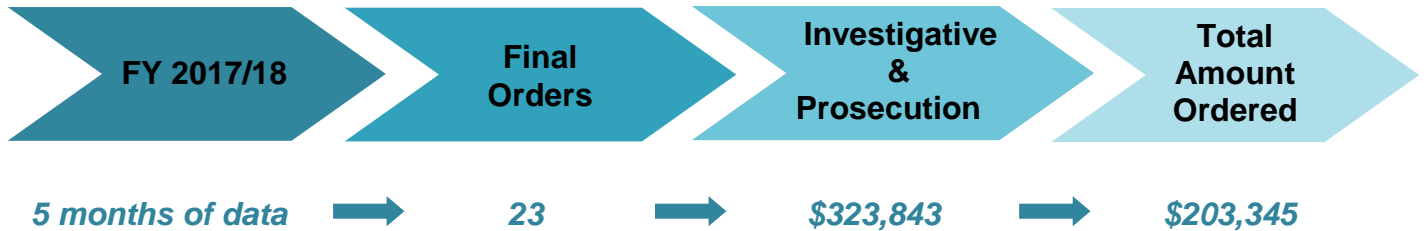
For the first five months of FY 2017/18 the CBA took action on 42 matters, the majority of which were through stipulated settlements. This represents a 14 percent increase over 2016/17 at this same point last year, when the CBA took action on 37 matters.

DISCIPLINE | FINAL ORDER TREND



DISCIPLINE | COST ORDERS (As of November 30, 2017)

Pursuant to Business and Professions Code section 5107, the legislature authorizes the CBA to recover investigation and prosecution costs. These costs include the time spent by staff to conduct the investigation and the time spent by the AG's Office to prosecute each case.



COST RECOVERY

Cost Recovery	FY 2015/16	FY 2016/17	FY 2017/18 5 months of data
Amount Ordered	\$378,930	\$395,585	\$203,345
-Number of Decisions	41	59	23
Amount Collected	\$338,963	\$324,987	\$104,175

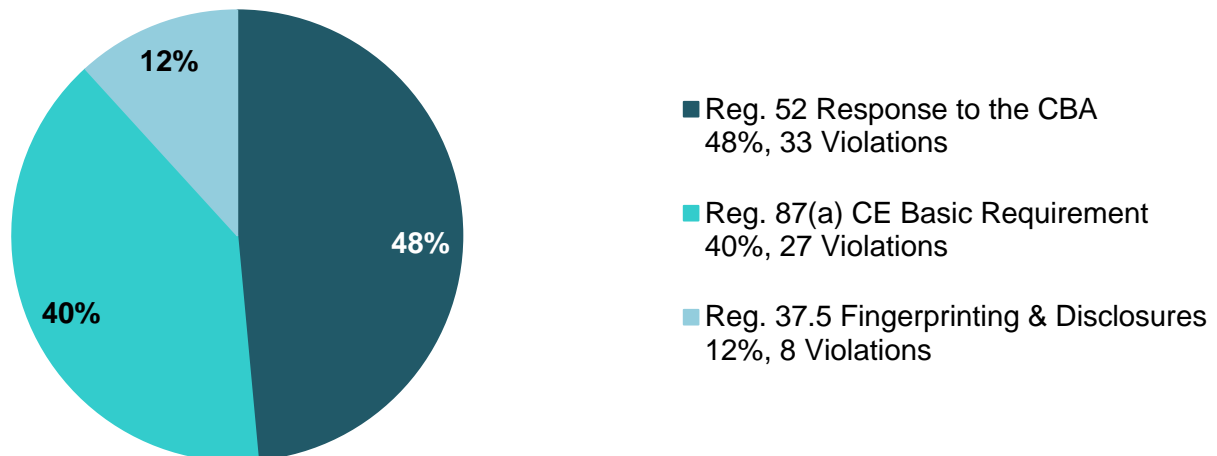
- Disciplinary cases resulting in ordered cost recovery are generally the result of a licensee placed on probation. Licensees can generally ask to pay cost recovery in monthly payments throughout the term of probation. As such the costs are generally paid within a two to two-and-one-half year timeframe.
- The “Amount Collected,” referenced above includes payments on cost recovery amounts ordered from both prior and current years. The “Amount Ordered,” reflects only amount ordered in FY 2017/18 and will never reconcile with the “Amount Collected.”

CITATIONS AND FINES

Citations	FY 2015/16	FY 2015/16	FY 2017/18 5 months of data
-Total Citations Issued	256	156	62
-Total Fines Assessed	\$100,450	\$55,650	\$27,200
-Fine Average	\$392	\$357	\$439
Average Number of Days from Receipt of Complaint to Issuance of Citation	147	160	222

CITATIONS AND FINES | FY 2017/18 TOP 3 VIOLATIONS

5 months of data



The fine amount assessed varies from \$100 to \$5,000 and is determined on a case-by-case basis. Factors that may increase or decrease the fine amount include aggravating or mitigating circumstances, and length of time the violation existed.

Over the past fiscal year, staff have revised various letters and increased communication efforts, especially in the area of email communications, designed to obtain compliance on enforcement matters. As a result, the number of citations issued has been decreasing.

The average number of days from receipt of a complaint to issuance of a citation has increased by 49 percent since the last two reports from 149 to 222.

Of the 62 citations issued, 14 were aged cases related to peer review and firm certification and recently concluded, thus contributing to the increase average number of days to issuance of citations. Without the 14 aged cases, the average number of days to issuance of citation decreases to 128 days.

FRANCHISE TAX BOARD | INTERCEPT PROGRAM

In FY 2015/16 the CBA began using the Franchise Tax Board (FTB) Intercept Program in an effort to collect unpaid administrative fines associated with the issuance of citations. The initial collection amount submitted to the FTB was significant and the pool of unpaid administrative fines dated back to FY 2011/12.

FTB Intercept Program	FY 2015/16	FY 2016/17	FY 2017/18 5 months of data	TOTAL
Referred to FTB	\$287,000	\$10,150	\$7,300	\$304,450
Collected by FTB	\$37,416	\$22,921	\$250	\$60,587
Uncollected	--	--	--	\$243,863

PROBATION MONITORING

Monitoring Activity	FY 2017/18
Numbers of Licensees on Probation as of Last Report	157
New Probationers Since the Last Report	9
Number of Probationer(s) Off Probation	4
Total number of Probationers	157
-Out-of-State Probationers	13
Probation Orientations Held Since Last Report	19
Total Probation Orientations Completed	27

- Staff have scheduled five probation orientations to occur after November 30, 2017.
- Four probation work samples were reviewed since the last report.

MOBILITY

Enforcement Aspects of Mobility	FY 2016/17	FY 2017/18 5 months of data
Pre-Notification Forms Received	1	0
Cessation Event Forms Received	0	0
SEC Discipline Identified	44	0
PCAOB Discipline Identified	30	1
Out-of-State Accounting Firm Registrants Reported Other Discipline	17	1
Complaints Against Practice Privilege Holders	11	0
Practice Privilege Revoked	2	2

Staff sends letters to all CPAs who were disciplined by either the Securities and Exchange Commission (SEC) or the Public Company Accounting Oversight Board (PCAOB) to inform them that they must seek CBA authorization prior to practicing in California.

- Section 5096.20 (c) authorizes the CBA to actively review disciplinary actions against firms located out of California biennially.
- Staff is in the process of initiating new cases with disciplines by SEC and PCAOB and will be reflected in the next report.

DIVISION HIGHLIGHTS AND RECRUITMENT EFFORTS

The Enforcement Division is recruiting for the following positions:

- One Full Time Investigative Certified Public Accountant (ICPA) for the Technical Investigations Unit
- Two Limited-Term ICPAs for the Technical Investigations Unit
- One ICPA Retired Annuitant
- One Limited-Term Office Technician

**California Board of Accountancy
Licensing Division Activity Report
As of November 30, 2017**

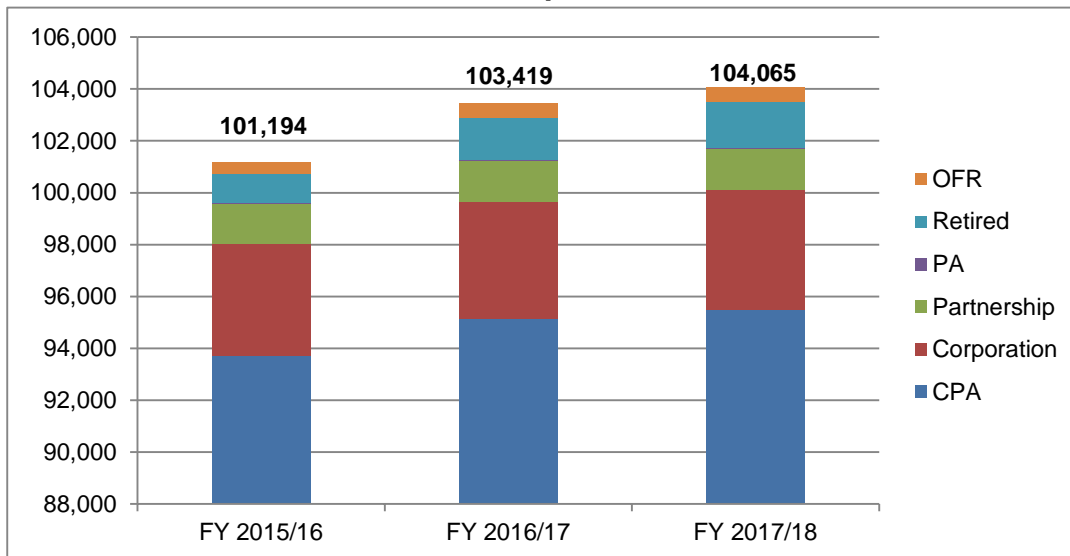
**CBA Item VII.A.
January 18, 2018**

Population Statistics

Population by License and Registration Type	FY 2015/16	FY 2016/17	FY 2017/18 5 months of data
CPA	93,686	95,141	95,508
<i>Active</i>	55,674	56,532	56,183
<i>Inactive</i>	28,947	29,123	29,417
<i>Delinquent *</i>	9,065	9,486	9,908
Corporation	4,364	4,536	4,613
Partnership	1,520	1,547	1,560
PA	53	45	40
Retired	1,113	1,613	1,788
Out-of-State Firm Registration (OFR)	458	537	556
TOTALS	101,194	103,419	104,065

*Delinquent consists of those licensees who have not submitted their renewal form and those licensees whose renewal is in process pending review by CBA staff, which consists of less than four percent of the delinquent population.

Total Population



**California Board of Accountancy
Licensing Division Activity Report
As of November 30, 2017**

Contact with CBA Stakeholders

Telephone Calls Received	FY 2015/16	FY 2016/17*	FY 2017/18** 5 months of data
Examination Unit	23,755	N/A	8,197
Initial Licensing Unit	25,772	N/A	5,648
License Renewal and Continuing Competency Unit	24,831	N/A	5,425
Practice Privilege Unit	448	N/A	112

*Telephone calls received for FY 2016/17 were not available due to technical difficulties with obtaining statistics from the CBA phone system.

**Due to a system malfunction, telephone calls received for FY 2017/18 do not include statistics for the month of August and November.

Emails Received	FY 2015/16	FY 2016/17	FY 2017/18 5 months of data
Examination Unit	14,689	15,739	6,041
Initial Licensing Unit	17,974	21,291	7,438
License Renewal and Continuing Competency Unit	20,140	17,566	7,720
Practice Privilege Unit	500	501	212

Certification Requests Requests from stakeholders for certification of CBA records primarily relating to license status, Uniform CPA Examination (CPA Exam) scores, or CPA Exam passage	FY 2015/16	FY 2016/17	FY 2017/18 5 months of data
Total Received	991	1,116	433
Total Processed	788	904	419
Average Days to Process	21	28	23

**California Board of Accountancy
Licensing Division Activity Report
As of November 30, 2017**

Uniform CPA Examination Statistics

CPA Examination Applications	FY 2015/16	FY 2016/17	FY 2017/18 5 months of data
First-Time Sitter Individuals who have not previously sat for any section of the exam.			
Total Received	8,381	6,830	2,422
Total Approved	8,120	7,061	2,891
Average Days to Process	31	32	37
Total Deficient*			443
Repeat Sitter Individuals applying or re-applying to take unpassed sections of the exam.			
Total Received	19,135	17,899	6,501
Total Approved	19,443	18,975	6,556
Average Days to Process	7	7	5

*Applications that have been identified with a deficiency. This number may include applications from the prior fiscal year.

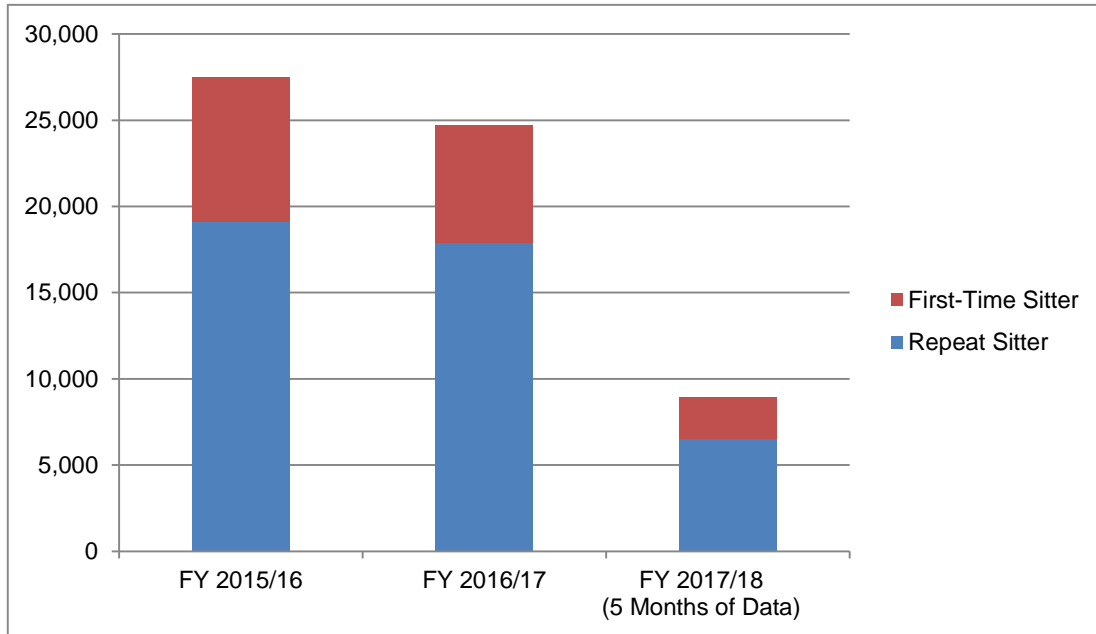
**The CBA began tracking this statistic in FY 2017/18.

- As of November 30, 2017, there are 443 CPA Exam applications that are deficient. The most common deficiencies identified in the CPA Exam application process are related to non-conferral of a baccalaureate degree or higher, not enough accounting subjects, or not enough business-related subjects.
- CBA Regulations section 70(b) states that exam applications that have been deemed deficient can remain in deficient status for up to one year from the date the applicant was notified. Deficiencies not resolved within this one-year period will result in the application being abandoned and the fee forfeited.
- The Exam Unit consists of one coordinator (currently vacant), two analysts, two technicians, and five part-time staff. For fiscal year 2017/18, this unit processed a monthly average of 578 first-time applications and 1,311 repeat applications. Additionally, Exams processed a monthly average of 1,580 transcripts of which 161 were foreign education evaluations.

**California Board of Accountancy
Licensing Division Activity Report
As of November 30, 2017**

Uniform CPA Examination Statistics (continued)

First-Time and Repeat Sitter Applications Received by Fiscal Year



CPA Examination Special Requests	FY 2015/16	FY 2016/17	FY 2017/18 5 months of data
Conditional Credit and Notice to Schedule Extensions Extension Requests are received from candidates who may have been prevented from sitting for an unpassed section due to an extenuating circumstance.			
Total Received	146	139	103
Total Completed	155	137	68
Average Days to Process	32	50	38
Special Accommodation Requests Requests are received from candidates requesting reasonable accommodations (for example: extra time, special equipment, etc.) in order to sit for the CPA Exam.			
Total Received	238	202	95
Total Completed	241	193	96
Average Days to Process	15	17	16

**California Board of Accountancy
Licensing Division Activity Report
As of November 30, 2017**

Initial Licensing Statistics

Individual License Applications	FY 2015/16	FY 2016/17	FY 2017/18 5 months of data
Certified Public Accountant			
Total Received	3,725	3,817	1,312
Total Approved	3,470	3,339	1,092
Average Days to Process	24	37	21
Total Deficient*			1,106
Average Days in Deficient Status			161

*Applications that have been identified with a deficiency. This number may include applications from the prior fiscal year.

**The CBA began tracking this statistic in FY 2017/18.

- As of November 30, 2017, there are 1,106 licensing applications that are deficient. The most common deficiencies identified in the licensing application process are related to the accounting ethics course requirement, missing or incomplete certificate of experience form, and not completing the required ethics (PETH) exam.
- CBA Regulations Section 70(c) states that an application for a certificate, permit, registration, or license, including any application for renewal, shall be deemed abandoned and any application fee shall be forfeited, if the applicant fails to complete the application within two years of its original submission or within one year of notification by the Board of any deficiency in the application.
- The Initial Licensing Unit consists of two coordinators (one currently vacant), five analysts, two technicians, and two part-time staff. For fiscal year 2017/18, this unit processed a monthly average of 262 initial licensure applications.

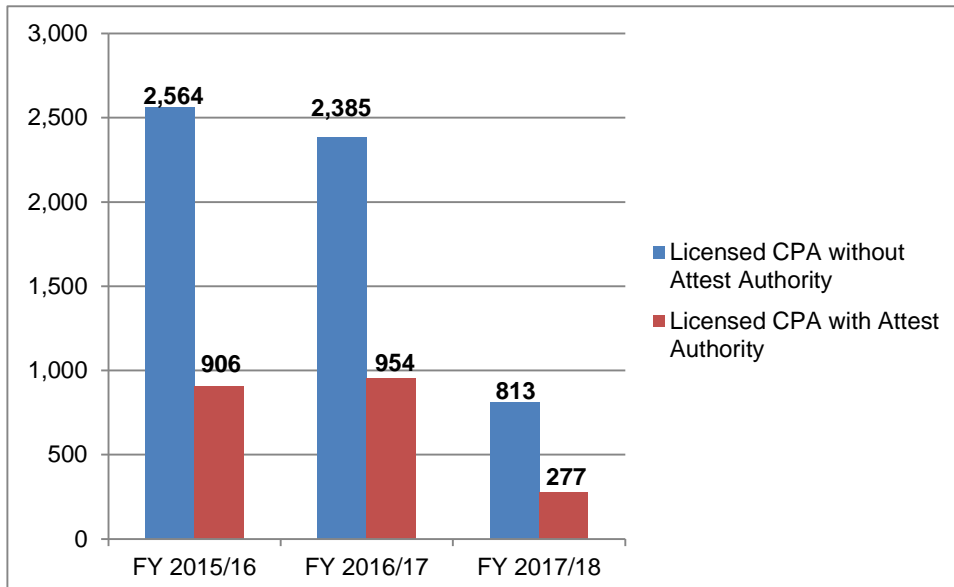
California Board of Accountancy Licensing Division Activity Report As of November 30, 2017

Initial Licensing Statistics (continued)

Method of Licensure	FY 2015/16	FY 2016/17	FY 2017/18 5 months of data
150 Hour Requirement – attest*	567	910	250
150 Hour Requirement – general*	1,610	2,290	774
Pathway 1 – attest	115	38	26
Pathway 1 – general	336	91	39
Pathway 2 – attest	224	6	1
Pathway 2 – general	618	4	0

*Effective January 1, 2016, all licensure applicants must meet the 150 semester unit requirement.

Licenses Issued With and Without Attest Authority by Fiscal Year



**California Board of Accountancy
Licensing Division Activity Report
As of November 30, 2017**

Initial Licensing Statistics (continued)

Firm License Applications	FY 2015/16	FY 2016/17	FY 2017/18 5 months of data
Corporation			
Total Received	270	271	118
Total Approved	228	202	61
Average Days to Process	15	21	15
Partnership			
Total Received	87	91	37
Total Approved	72	70	19
Average Days to Process	18	20	16

Fictitious Name Permit Applications	FY 2015/16	FY 2016/17	FY 2017/18 5 months of data
Total Received	157	111	56
Total Approved	132	76	32
Average Days to Process	13	20	19

Out-of-State Accounting Firm Registration Forms	FY 2015/16	FY 2016/17	FY 2017/18 5 months of data
Total Received	122	74	32
Total Approved	110	70	20
Enforcement Referrals Referrals are made to the Enforcement Division when prior enforcement action has been taken against the firm or any of the licenses authorized to practice under that firm.	11	7	1

**California Board of Accountancy
Licensing Division Activity Report
As of November 30, 2017**

Renewal Related Statistics

License Renewal	FY 2015/16	FY 2016/17	FY 2017/18 5 months of data
Total Licenses Renewed <small>Includes active and inactive license status.</small>			
Certified Public Accountant	41,624	42,997	18,130
Public Accountant	5	11	2
Corporation	1,791	1,781	718
Partnership	671	585	223

License Renewal Related Activities	FY 2015/16	FY 2016/17	FY 2017/18 5 months of data
License Renewal Verification <small>Staff review each renewal application for completeness and compliance with continuing education and peer review reporting requirements.</small>			
CPA/PA Applications Reviewed	45,886	42,021	17,395
Deficient Applications Identified	11,539	6,834	3,062
Compliance Responses Received	9,981	8,835	3,068
Continuing Education Audits			
Licensees Selected for Audit	900	900	375
Outstanding Audits	116	65	124
Compliance Letters Sent	779	915	253
Enforcement Referrals <small>May include license renewal-related deficiencies such as insufficient CE and peer review.</small>			
	849	1,131	379

**California Board of Accountancy
Licensing Division Activity Report
As of November 30, 2017**

Renewal Related Statistics (continued)

Retired Status	FY 2015/16	FY 2016/17	FY 2017/18 5 months of data
Applications Received	467	470	182
Applications Failing to Meet Minimum Qualifications	4	11	4
Applications Approved	453	500	195

Licensing Division Highlights

- The 2018 Uniform CPA Examination score release timeline for Q2, Q3, and Q4 has been announced. Examination scores will be released once at the end of each window due to new software implementation. Rolling score release dates will return for Q1 2019.
- The Examination and Initial Licensing Unit (Exam and ILU) has filled the positions for a Staff Services Manager I and a Program Technician II (Limited Term) position. Exam and ILU is currently recruiting for two Associate Governmental Program Analysts positions.
- RCC staff have revised the CBA website materials, including the License Renewal Handbook to include information regarding the new preparation engagement CE requirement. These materials are presently undergoing legal review. Upon approval, the revised materials will be posted to the CBA website.
- The License Renewal and Continuing Competency (RCC) Unit is recruiting to fill a Staff Services Manager I and a Permanent-Intermittent Associate Governmental Program Analyst position.



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LC Item II.

January 18, 2018

CBA Item VIII.A.2.

January 18, 2018

Overview of the California Legislative and Regulatory Process and the Legislative Committee's Role

Presented by: Written Report Only

Purpose of the Item

The purpose of this agenda item is to present information regarding the legislative and regulatory process and the role of the California Board of Accountancy's (CBA) Legislative Committee (LC).

Consumer Protection Objectives

This agenda item provides resources to assist the CBA members' role in consumer protection.

Action(s) Needed

None.

Background

One of the main priorities of the LC is to assist the CBA in its consumer protection mandate by reviewing, recommending, and advancing legislation relating to consumer protection and the practice of public accountancy.

Comments

Legislation

To ensure effective monitoring and advancement of legislation that furthers the mission of the CBA, staff have established the following legislative best practices:

1. *Identifying, Tracking, and Monitoring Legislation* – Capitol Track and Leginfo are two websites used for tracking legislation. Key search terms are used to identify any bills that may impact the CBA.
2. *Communication* – Staff are continuously in contact with bill authors and their legislative staff, legislative committee staff, other boards and bureaus, the Department of Consumer Affairs (DCA) Division of Legislative and Regulatory Review, and other stakeholders.

Overview of the California Legislative and Regulatory Process and the Legislative Committee's Role

Page 2 of 3

When a bill that may impact the CBA is identified staff send an email to the author's office indicating the CBA's potential interest, and requesting any background information. Once a bill is placed on the LC agenda, a phone call is placed to the author's office notifying them of the CBA meeting location and date where the bill will be discussed. The author or a representative will be invited to address the LC or the full CBA, at their preference. The CBA staff bill analysis will be sent to the author's office electronically as soon as it is prepared and approved by the Executive Unit. After the CBA takes a position, a position letter will be sent to the author, with a copy to the chair of the committee where the bill will be heard next. All communications will express staff's willingness to meet and discuss the bill.

3. *Staff Reporting and Keeping the CBA in the Legislative Loop* – The CBA Legislative Analyst provides regular updates at CBA meetings on pertinent bills and facilitates discussions between CBA meetings with legislators and bill authors regarding questions, concerns, and CBA positions. If necessary, staff may initiate a CBA special meeting, between regularly scheduled meetings, so the CBA can take immediate action on pertinent bills, if desired.

Furthermore, the Executive Officer's monthly report includes a legislative update. If necessary, staff may update members via email. If the CBA is a sponsor, or strong supporter, of a bill, staff will contact the CBA President to see if she/he would like to testify at the committee hearing and prepare appropriate testimony. If the President is unavailable, the CBA Executive Officer or Assistant Executive Officer shall be the lead witness at a committee hearing. The CBA Legislative Analyst will attend all hearings for bills the CBA has taken a position on.

Attachment 1, Overview of the Legislative Process, provides information on all necessary steps for a bill to become law in California, and other considerations the CBA may wish to keep in mind as it discusses legislation.

Attachment 2, Considerations for Taking Positions on Legislation, is meant to assist the CBA when determining what position to take on proposed legislation. As the LC and CBA review proposed legislation, it may be helpful to refer to these considerations.

Regulations

The regulatory process was created by the Legislature to ensure public awareness and participation when state agencies create or amend regulations. The rulemaking process starts with an idea by a CBA member or a concept in the law that needs to be clarified. The CBA typically discusses how to approach the issue and whether or not a rulemaking is needed. After the CBA votes to initiate a rulemaking, staff prepare the appropriate documents and work with DCA, Business, Consumer Services and Housing Agency, and the Office of Administrative Law (OAL) to ensure the rulemaking packet is processed timely.

Overview of the California Legislative and Regulatory Process and the Legislative Committee's Role

Page 3 of 3

Attachment 3, Overview of the Regulatory Process, is an overview of the activities associated with making regulatory amendments or additions. The regulatory process created by the Legislature is complex. The process ensures public participation when state agencies develop or modify regulations.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachments

1. Overview of the Legislative Process
2. Considerations for Taking Positions on Legislation
3. Overview of the Regulatory Process



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Attachment 1

Overview of the Legislative Process

The process by which bills are considered, and laws enacted by the California State Legislature, is commonly referred to as the legislative process. The Legislature maintains a calendar governing the introduction and processing of bills during its two-year regular session. A bill must pass both houses, the Senate and Assembly, and be signed by the Governor before it can become law. Once law, it is subject to judicial review.

The Legislative Process Step-by-Step

Idea

All legislation begins with an idea. Ideas can arise from many different sources, including the California Board of Accountancy (CBA). When the CBA develops an idea, it is analyzed internally and draft statutory language is prepared and presented to the CBA. Upon the CBA's approval, staff then seeks an author.

Author

Most bills are authored by an individual legislator who carries it through the legislative process. When choosing a legislator, it is important to do so carefully. Staff takes into consideration the legislator's background, party, voting history, policy interests, committee membership, and how the idea relates to the legislator's constituents.

Introduction

Bills are typically introduced between January and February of each year. No bill may be acted upon until 30 days after its introduction.

Committee Hearings

After introduction, bills go to the Rules Committee of the house of origin, where it is assigned to one or more policy committees for a hearing. The majority of bills related to the CBA are expected to be sent to the Assembly Committee on Business and Professions, or the Senate Committee on Business, Professions, and Economic Development. Bills that require the expenditure of funds must also be heard in the fiscal committees: Assembly or Senate Appropriations.

Committee staff prepares bill analyses that are available to the public, which generally summarize the bill's background, describe its policy, fiscal, and economic impact, support, opposition, and other information the staff deem necessary or helpful to legislators as they consider each bill.

Overview of the Legislative Process

Page 2 of 5

During a committee hearing, bills are presented by the author or their representative. After the bill is discussed among committee members, it becomes open for public comment. If the bill is of particular interest to the CBA, members and staff may wish to comment on the bill and highlight concerns or support for the bill.

Floor Vote

Bills passed by committees are then considered by the full house (Senate or Assembly). While the bill is on the floor, discussion is restricted to the legislators elected to that house. Most bills require a majority vote (21 in the Senate and 41 in the Assembly) to pass that house. Bills that require an appropriation, or that take effect immediately, generally require 27 votes in the Senate and 54 votes in the Assembly to be passed.

Once the bill is approved by the house of origin, it proceeds to the other house where the process is repeated.

Resolution of Difference

Both houses of the Legislature must approve the same version of the bill. If a bill is amended in the second house, it must go back to the house of origin for a concurrence vote to agree on the amendments. If agreement cannot be reached, the bill may be referred to a two-house conference committee to resolve differences. Three members of the committee are from the Senate and three are from the Assembly. If a compromise is reached, the bill is returned to both houses for a final vote.

Governor

Once both houses approve the bill, it goes before the Governor. The Governor has three options: sign, veto, or do nothing. If the Governor signs the bill, it goes into effect. If the Governor takes no action on the bill within 12 days of receipt, it will go into effect without his or her signature. The Governor may have up to 30 days to sign or veto bills passed by the Legislature in the final weeks of the legislative session each calendar year. If the Governor vetoes the bill, the veto can be overridden by a two-thirds vote in both houses.

Effective Dates

If the bill is an urgency measure, it will go into effect immediately after it is signed or allowed to go into law. If the bill is not an urgency measure, it will go into effect January 1 of the following calendar year, unless otherwise specified in the bill.

Considerations for Sponsoring a Legislative Agenda

When putting together a legislative agenda, there are several key factors to be considered. The following is a discussion of the major factors the CBA faces when it considers sponsoring legislation.

DCA Involvement

The Department of Consumer Affairs (DCA) can be a valuable ally in the legislative process. DCA may offer assistance to the CBA by helping ensure the bill language is clear and accomplishes the desired result, and lobbying in favor of our legislation.

Overview of the Legislative Process

Page 3 of 5

When DCA takes a position on a bill, it is called an “approved position.” Since DCA is a department of the executive branch, it cannot take a position without the Governor’s approval.

Participation

CBA members play a significant role in advancing the CBA’s legislative agenda. The Legislature often relies on the professional expertise from the industry to gain a stronger understanding of the issue. CBA members wishing to contact members of the Legislature should involve CBA staff. CBA staff will schedule an appointment and work to ensure you are properly prepared for the discussion.

Be Willing to Compromise

Throughout the legislative process, various committees and legislators may seek to amend bills. Bills are often amended during the legislative process prior to being signed by the Governor.

Even though the CBA may sponsor a given bill, it does not have authority over that bill. Frequently, the author will defer to the sponsor of a bill when deciding whether or not to accept an amendment. However, that is not always the case. If an author takes an amendment that the CBA does not like, it has three options.

1. Accept the amendment. It may not be exactly what the CBA would like, but may be workable.
2. Ask the author to amend the bill back to an acceptable form. This can be very tricky. Once an author accepts an amendment from a committee or another member, the intent of that amendment must be maintained or the author could be seen by fellow legislators as going back on their word. If that intent is entirely unacceptable to the CBA, there is only one remaining option.
3. Remove sponsorship of the bill. The CBA has no power to stop the author from going forward with the bill, but it is not required to continue its sponsorship. It may issue a letter of opposition, if appropriate.

Some Bills Just Die

Sometimes bills die due to fiscal impacts and political factors outside the CBA’s control, despite the CBA’s best efforts.

2018 Tentative Legislative Calendar

Members may wish to review the calendar provided on the following pages for more information regarding important legislative dates.

2018 TENTATIVE LEGISLATIVE CALENDAR

COMPILED BY THE OFFICE OF THE SECRETARY OF THE SENATE

Revised 11/16/16

DEADLINES

JANUARY						
S	M	T	W	TH	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

- Jan. 1** Statutes take effect (Art. IV, Sec. 8(c)).
- Jan. 3** **Legislature Reconvenes** (J.R. 51(a)(4)).
- Jan. 10** Budget must be submitted by Governor (Art. IV, Sec. 12(a)).
- Jan. 12** Last day for **policy committees** to hear and report to **fiscal committees** fiscal bills introduced in their house in the **odd-numbered year** (J.R. 61(b)(1)).
- Jan. 15** Martin Luther King, Jr. Day.
- Jan. 19** Last day for any committee to hear and report to the **floor** bills introduced in that house in the odd-numbered year (J.R. 61(b)(2)). Last day to **submit bill requests** to the Office of Legislative Counsel.
- Jan. 31** Last day for each house to **pass bills introduced** in that house in the odd-numbered year (J.R. 61(b)(3), (Art. IV, Sec. 10(e)).

FEBRUARY						
S	M	T	W	TH	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28			

- Feb. 16** Last day for bills to be **introduced** (J.R. 61(b)(4), (J.R. 54(g)).

- Feb. 19** Presidents' Day.

MARCH						
S	M	T	W	TH	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

- Mar. 22** **Spring Recess** begins upon adjournment of this day's session (J.R. 51(b)(1)).

- Mar. 30** Cesar Chavez Day; observed.

APRIL						
S	M	T	W	TH	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

- Apr. 2** **Legislature Reconvenes** from Spring Recess (J.R. 51(b)(1)).

- Apr. 27** Last day for **policy committees** to hear and report to **fiscal committees** fiscal bills introduced in their house (J.R. 61(b)(5)).

MAY						
S	M	T	W	TH	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

- May 11** Last day for **policy committees** to hear and report to the floor **nonfiscal** bills introduced in their house (J.R. 61(b)(6)).

- May 18** Last day for **policy committees** to meet prior to June 4 (J.R. 61(b)(7)).

- May 25** Last day for **fiscal committees** to hear and report to the floor bills introduced in their house (J.R. 61(b)(8)).
Last day for **fiscal committees** to meet prior to June 4 (J.R. 61(b)(9)).

- May 28** Memorial Day.

- May 29- June 1 Floor Session only.** No committees, other than conference or Rules committees, may meet for any purpose (J.R. 61 (b)(10)).

2018 TENTATIVE LEGISLATIVE CALENDAR

COMPILED BY THE OFFICE OF THE SECRETARY OF THE SENATE

Revised 11/16/16

JUNE						
S	M	T	W	TH	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

June 1 Last day for each **house to pass bills** introduced in that house (J.R. 61(b)(11)).

June 4 Committee meetings may resume (J.R. 61(b)(12)).

June 15 Budget Bill must be passed by **midnight** (Art. IV, Sec. 12(c)(3)).

June 28 Last day for a legislative measure to qualify for the Nov. 6 General Election ballot (Elections code Sec. 9040).

June 29 Last day for **policy committees** to hear and report **fiscal bills** to fiscal committees (J.R. 61(b)(13)).

JULY						
S	M	T	W	TH	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

July 4 Independence Day.

July 6 Last day for **policy committees** to meet and report bills (J.R. 61(b)(14)).
Summer Recess begins upon adjournment provided Budget Bill has been passed (J.R. 51(b)(2)).

AUGUST						
S	M	T	W	TH	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Aug. 6 **Legislature Reconvenes** (J.R. 51(b)(2)).

Aug. 17 Last day for **fiscal committees** to meet and report bills (J.R. 61(b)(15)).

Aug. 20-31 Floor Session only. No committees, other than Conference and Rules Committees, may meet for any purpose (J.R. 61(b)(16)).

Aug. 24 Last day to **amend** on the floor (J.R. 61(b)(17)).

Aug. 31 Last day for each **house to pass bills**, except bills that take effect immediately or bills in Extraordinary Session (Art. IV, Sec. 10(c), (J.R. 61(b)(18)).
Final Recess begins upon adjournment (J.R. 51(b)(3)).

*Holiday schedule subject to Senate Rules committee approval

IMPORTANT DATES OCCURRING DURING INTERIM STUDY RECESS

2018

Sept. 30 Last day for Governor to sign or veto bills passed by the Legislature before Sept. 1 and in the Governor's possession on or after Sept. 1 (Art. IV, Sec. 10(b)(2)).

Nov. 6 General Election

Nov. 30 Adjournment *Sine Die* at midnight (Art. IV, Sec. 3(a)).

Dec. 3 12 Noon convening of the 2019-20 Regular Session (Art. IV, Sec. 3(a)).

2019

Jan. 1 Statutes take effect (Art. IV, Sec. 8(c)).



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Attachment 2

Considerations for Taking Positions on Legislation

As new bills are introduced or amended in the Legislature, the CBA may take a variety of positions, which are outlined below. Introduced legislation rarely passes through the legislative process without amendments and those amendments may change the CBA's position. Should the CBA take a position on a bill, staff will track the legislation and update the CBA on any developments.

Positions the CBA May Take

Sponsor:

The CBA is the sponsor of a bill, meaning the CBA participated in the development of the legislation, will provide technical assistance to the author on any related policy areas, and advocate its passage.

Support:

CBA supports the bill as currently written and sends a letter of support to interested legislators. The CBA may decide to lobby in favor of the bill.

Support if Amended:

The CBA supports the concept, or certain portions of the bill, but requests an amendment to obtain the CBA's full support. This position would be communicated to legislators along with the requested amendment. If the CBA's amendment is accepted without further significant amendments, the CBA's position will be changed automatically to support the bill, and a letter reflecting this new position will be sent to legislators.

Neutral:

The bill in question may affect the CBA's interests in some way, but the CBA does not have a formal position.

Oppose unless Amended:

The CBA opposes the bill as presently written, but if the bill were amended as requested by the CBA, the CBA's position would change to neutral or support. This position will be communicated to the author and other legislators, along with the suggested amendment. If the CBA's amendment is accepted without a significant change, a letter will be sent withdrawing the CBA's opposition and stating a new position.

Considerations for Taking Positions on Legislation

Page 2 of 2

Oppose:

The CBA opposes the bill. There are no reasonable amendments that would change the CBA's position. The CBA would send a letter of opposition to the author and other legislators and may consider lobbying against the bill.

Watch:

The bill may develop into an item of interest for the CBA. Staff will continue to monitor the bill and update the CBA on any developments.

Discontinue Following:

The bill has changed in such a way that it is no longer of interest to the CBA. Staff would no longer monitor or provide updates on the bill.

Throughout the legislative process, staff will track the bills that the CBA takes a position on, and monitor other legislation that may be of interest to the CBA.



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Attachment 3

Overview of the Regulatory Process

What Is the Regulatory Process?

The regulatory process was created by the Legislature to ensure public awareness and participation when state agencies create or amend regulations. The full regulatory process is presented in graphic form on the last page of this attachment and illustrates the sequence of actions.

What is a Regulation?

A regulation implements, interprets, or makes specific the statutes enforced by a state agency or to govern its procedure. A regulation has the full force of law.

If an emergency situation exists, an emergency rulemaking process can be initiated. According to the Government Code, an “emergency” means a situation that calls for immediate action to avoid serious harm to the public peace, health, safety, or general welfare. The timeline is significantly reduced between the emergency and regular rulemaking processes.

From where does the authority for rulemaking come?

The California Constitution established the Legislative, Executive and Judicial branches and gave each their own separate powers. The Legislature’s responsibility is to make law, and the Executive’s is to enforce the law. However, the statutes written by the Legislature may require additional clarity or specificity. To do so, the Legislature typically delegates the writing of these details to those who are tasked with enforcing the law, the Executive branch.

Specifically, in the case of the California Board of Accountancy (CBA), the Legislature created the Accountancy Act. Section 5010 of the Accountancy Act reads as follows:

The board may adopt, repeal, or amend such regulations as may be reasonably necessary and expedient for the orderly conduct of its affairs and for the administration of this chapter. The regulations shall be adopted in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

This delegation of authority from the Legislature permits the CBA to engage in the regulatory process. That process, referred to in Section 5010, is spelled out in Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the

Overview of the Regulatory Process

Page 2 of 6

Government Code, otherwise known as the Administrative Procedures Act (APA). The purpose of the APA is to provide the public with a meaningful opportunity to participate in the adoption of regulations by state agencies and ensure the creation of an adequate record for the public and judicial review. The Office of Administrative Law (OAL) is charged with ensuring that agencies comply with the APA.

Pre-Notice Steps

The rulemaking process starts with an idea by a CBA member or a concept in the law that needs to be clarified. The CBA typically discusses how to approach the issue and whether or not a rulemaking is needed. After the CBA votes to initiate a rulemaking, four documents must then be created: the Proposed Regulatory Language, the Notice of Proposed Action, the Initial Statement of Reasons, and the Economic/Fiscal Impact Statement.

Proposed Regulatory Language

Typically, the regulatory language is prepared by CBA staff for presentation at a CBA meeting. During the meeting, the CBA comments on the proposed language and makes any changes it deems necessary. The proposed language always takes the form of strikethrough (text being deleted from regulations) and underline (text added to the regulations) to make clear to the public and other stakeholders what changes are being proposed.

Notice of Proposed Action (Notice)

The Notice is an announcement to the public that the CBA is undertaking a rulemaking and an invitation to participate in the process. The Notice lists the time and place of the public hearing on the regulations and provides CBA staff contact information for those who wish to submit comments.

In addition, the Notice provides an Informative Digest/Policy Statement Overview which lays out the scope of the rulemaking. Specifically, it identifies current law and how the proposed changes will affect that law.

Initial Statement of Reasons (ISR)

The purpose of the ISR is to explain to the public why the CBA is making the proposed changes.

The ISR must, for each proposed adoption, amendment, or repeal, identify the specific purpose of it, the problem it is meant to address, and the CBA's rationale for why it is necessary to carry out the described purpose. The ISR also identifies any studies, reports, or other documents the CBA may have relied upon in coming to its conclusions. Finally, the ISR must describe reasonable alternatives to the proposal and why each alternative was rejected.

Overview of the Regulatory Process

Page 3 of 6

The Economic/Fiscal Impact Statement (Form 399)

Form 399 explains the economic impact and fiscal costs and benefits to the private sector and state and local governments. The Form 399 must be reviewed and signed by the Department of Consumer Affairs (DCA), the Secretary of the Business, Consumer Services, and Housing Agency (Agency), and the Department of Finance (DOF).

DCA and Agency Initial Review and Approval

The four documents: the proposed regulatory language, the Notice, the ISR, and the Form 399, must be submitted to DCA and Agency for review and approval, prior to requesting OAL publish the public notice and initiate the rulemaking process.

Starting the Regulatory Clock

Publishing the Notice

After OAL publishes the Notice, the APA gives agencies one year to submit the rulemaking package to OAL for review. The notice being published also starts the 45-day public comment period.

On or before the date of publication, the CBA must send the Notice to the following:

- OAL for publication;
- Any interested parties that have requested to be notified of rulemakings; and
- Posted to the CBA website (including the ISR and proposed language)

This provides the public with an opportunity to participate in the rulemaking process. Following publication, a member of the public may submit comments to the CBA in any way they choose. The CBA must then consider and respond to each comment.

Public Hearing

The public hearing on the proposal, which was identified in the Notice, may be scheduled any time after the end of the 45-day comment period. At the public hearing, additional public comments are often received orally or in writing. While the CBA has chosen to hold these public hearings at CBA meetings, this is not a requirement, provided the CBA members consider all the comments received prior to adopting a proposal.

Adoption of the Proposal

Following the public hearing and consideration of all public comments, the CBA is authorized to do one of two things, assuming it wishes to proceed. First, it may adopt the proposal with no changes and move forward with the regulatory process and prepare a Final Statement of Reasons (FSR). Second, it may request changes to the proposal, and authorize the proposal's adoption following a 15-Day Notice of Modified Text (15-day Notice) if no comments are received. Typically, this is the final stage for input by CBA members during the rulemaking process due to the fact that comments

Overview of the Regulatory Process

Page 4 of 6

during the 15-day period are very rare for the CBA. However, if such comments are received they may warrant additional discussion by the CBA or a second 15-Day Notice.

Finalizing the Regulatory Package

15-Day Notice of Modified Text

If changes are made to the regulation language, CBA must ensure the changes are within the original scope of the rulemaking as outlined by the original Notice. If they are, the CBA must prepare the modified text and a 15-Day Notice for public review. The revised language and 15-day notice must be sent to:

- Anyone who made comments on the original proposal;
- Anyone who requested to be informed of changes to the proposal; and
- Posted to the CBA's website.

This is a smaller group than those who received the original Notice, and no public hearing is required on these changes. The public has 15 days to comment, and the comments must pertain to the changes only, not the original proposal. If substantive or adverse comments are received, they must be considered by the CBA prior to the proposal moving forward.

Final Statement of Reasons (FSR)

Once the public participation phase of the process is complete, the CBA finalizes its rulemaking by preparing an FSR. The FSR updates the ISR and provides any reasoning for changes that were made to the original proposal.

In addition, the FSR is where the CBA responds to any comments that were received from the public. Each comment must be responded to by the CBA and either accepted or rejected. If a comment is rejected, adequate reasons must be provided in the FSR. If a comment is accepted, it is usually through a change that was made to the proposed language.

Approval Process

Once the CBA finalizes a rulemaking package, it is reviewed by DCA. The Director has 30 days to review the file, but others within DCA, such as Legal and Budget Offices, are not given a time limit, and this DCA review can take up to two months, or more, depending on the complexity of the rulemaking package.

Upon approval by DCA, the rulemaking package is submitted to Agency for review and approval. Agency has requested that CBA files be presented to the Agency Secretary no less than three months prior to the one year deadline for submission to OAL.

Agency returns the file to DCA which then submits it to DOF for its signature on the Form 399. Although DOF has no timeline in law, its goal is to review within 30 days.

Overview of the Regulatory Process

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However, according to DOF, due to the high volume of DCA rulemaking requests, their review may take up to three months or more. In the event that DOF does not approve the Form 399, the CBA can either withdraw the rulemaking or submit the unsigned rulemaking to OAL, resulting in an automatic denial by OAL.

After DOF signs the Form 399, the rulemaking file is returned to the CBA. The CBA then officially closes the file, and submits the entire rulemaking file to OAL for approval.

OAL Review

Once the entire rulemaking file is submitted, OAL has 30 working days to take action on the file. This usually means 40-45 calendar days depending on state holidays.

When OAL reviews a rulemaking file, they compare those documents to the six standards established in the APA: authority, reference, consistency, clarity, non-duplication, and necessity. Authority and reference are found in the proposed language and identify the code sections that give the CBA rulemaking authority and identify which sections are being “implemented, interpreted, or made specific.” Consistency and clarity are determined by OAL as they decide whether the proposal violates or contradicts statute or the California Constitution, and whether the proposal is easily understood without further interpretation. Non-duplication means that agencies are not allowed to copy statutory code sections into their regulations as it is unnecessary and potentially confusing. The final standard is necessity, and it means the rulemaking must demonstrate by substantial evidence the need for the regulation to effectuate the purpose of the statute, court decision, or other provision of law that the regulations implement, interpret, or make specific, taking into account the totality of the record.

OAL may then either approve or disapprove the file. If disapproved, it is returned to the CBA. The CBA may then issue a 15-Day Notice to fix any deficiencies and resubmit to OAL within 120 days, or it may restart the entire process and issue a new Notice. In addition, the CBA may appeal OAL disapproval to the Governor, but this is very rarely done.

If OAL approves the rulemaking, it is filed with the Secretary of State (SOS) for publishing in the California Code of Regulations (CCR). The date that OAL files with the SOS determines the effective date of the new regulation, unless a later date is requested by the CBA. Regulations typically become effective on a quarterly basis depending on the date filed with the SOS as follows:

- January 1, if filed between September 1 and November 30;
- April 1, if filed between December 1 and February 29;
- July 1, if filed between March 1 and May 31;
- October 1, if filed between June 1 and August 31.

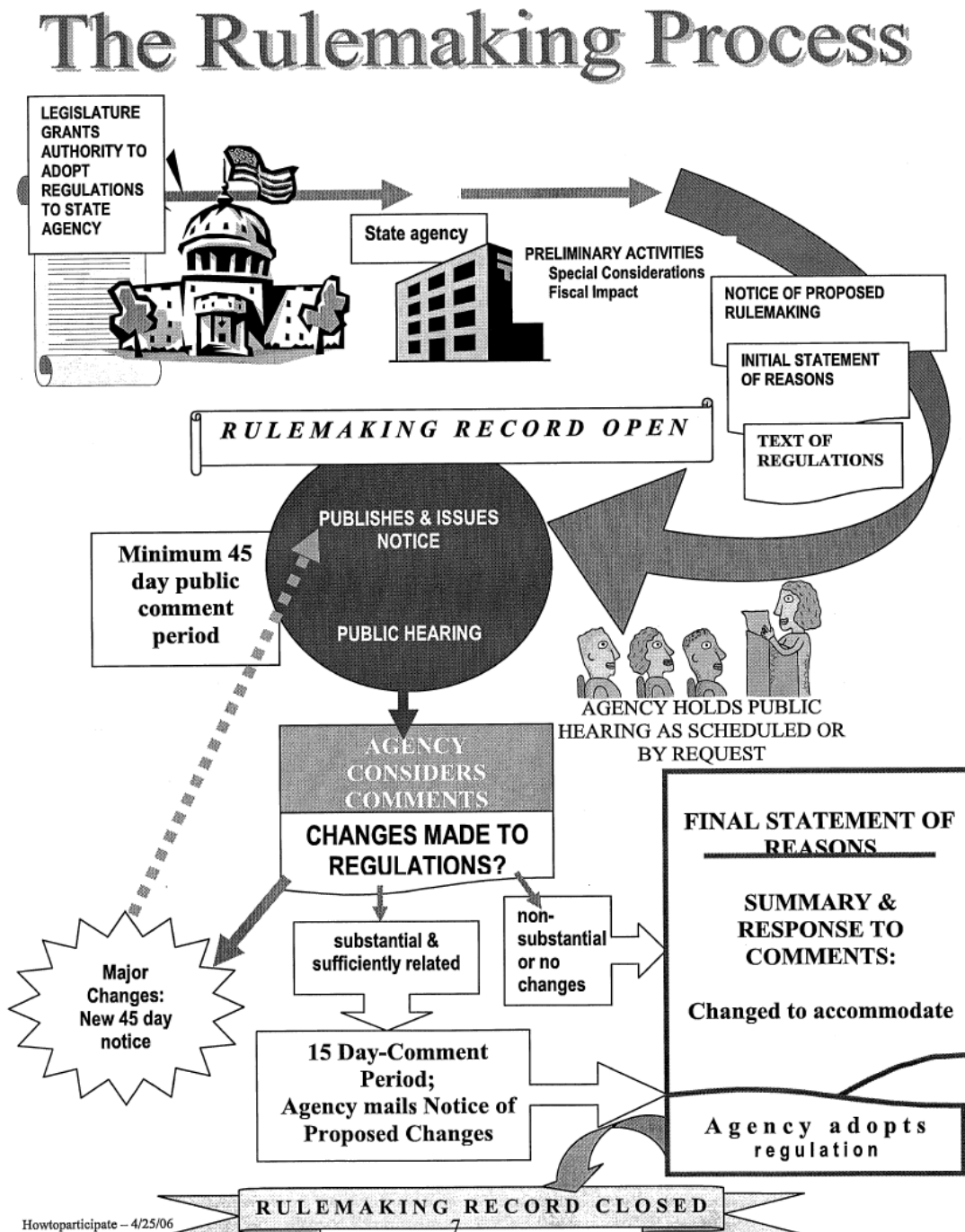
It is important to note that “effective” means that the regulation has been published in the CCR and is now a part of the law. A regulation could be “operative” on a date that is

Overview of the Regulatory Process

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later than its effective date. An example of this would be the CBA's fingerprinting regulations, which was effective (published in the CCR) in January 2013. This regulation was not operative until January 1, 2014, because the later operative date was a part of the regulation itself.

Once the regulation is printed in the CCR it becomes law, thereby concluding the regulatory process. Although the rulemaking process may be complicated, the chart below outlines the essential steps in the rulemaking process:



**CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
SB 795**

Subject:	Accountancy: practice privileges.	Author:	Galgiani
Version:	January 10, 2018		California Society of
Status:	Senate Appropriations Committee	Sponsor:	CPAs, National Accounting Firms
CBA Position: WATCH			

Summary

Senate Bill (SB) 795 (**Attachment 1**) would extend by one year the current January 1, 2019 repeal¹ date for the California Board of Accountancy's (CBA) no-notice, no-fee mobility² program.

History of SB 795 and Amendments Approved on January 8, 2018

SB 795 was introduced on February 17, 2017 during the first year of the 2017-18 Legislative Session. The CBA approved a Watch position during its March 2017 meeting. The introduced version of the bill removed the sunset date on the mobility program, thereby making it permanent.

Following that CBA meeting, staff from the Senate Business, Professions, and Economic Development (B&P) Committee indicated its desire to wait for the CBA to complete its statutorily mandated report on the mobility program before considering SB 795. In addition, CBA staff worked with the sponsors of SB 795 to write amendments that would address drafting errors and concerns raised by staff. SB 795 then became a two-year bill.

During its November 2017 meeting, the CBA approved its report, *California's Mobility Program for Accountancy – Implementation, Enforcement and its Consumer Benefits* (Mobility Report). The Mobility Report was delivered to the Legislature in December 2017.

SB 795 was considered by the Senate B&P Committee at a hearing on January 8, 2018. During that hearing, the committee expressed hesitation to make the mobility program permanent until taking more time to review the CBA's Mobility Report.

Facing a legislative deadline to pass the bill out of the Senate by the end of January 2018, the committee approved SB 795 with amendments to extend the program's sunset date to January 1, 2020. The Senate B&P Committee also approved other amendments, which are discussed later in this analysis.

Senator Cathleen Galgiani, the author of SB 795 and a representative for the sponsors of the bill, stated at the Senate B&P Committee hearing that, if the Senate B&P Committee staff are comfortable with the findings of the CBA's Report, they desire to amend the bill later in 2018 to remove the January 1, 2020 sunset language.

¹ Language that would repeal a law on a certain date is commonly referred to as a "sunset" provision.

² In this analysis, the term "practice privilege" refers to the prior program with its notice and fee requirements, but the term "mobility" refers to the current program.

Background

Current law (Senate Bill 1405, Chapter 411 of 2012 Statutes) states that until January 1, 2019, a person whose principal place of business is located outside California and holds a valid and current certified public accountant (CPA) license to practice public accountancy from another state may qualify to practice public accountancy in California, without providing notice or paying a fee, provided one of the following conditions is met:

- Has continually practiced public accountancy as a CPA under a valid license issued by any state for at least four of the last 10 years.
- Holds a valid license, certificate, or permit to practice public accountancy from a state determined by the CBA to be substantially equivalent to the licensure qualifications in California under Business and Professions Code (BPC) section 5093.
- Possesses education, examination, and experience qualifications which have been determined by the CBA to be substantially equivalent to the licensure qualifications in California.

To ensure that the mobility program adequately protects consumers, BPC section 5096.21(a) (**Attachment 2**) requires the CBA to determine whether allowing individuals from certain states to practice in California pursuant to the mobility program violates its duty to protect the public. If the CBA makes such a determination, it may initiate an emergency rulemaking to require individuals licensed by those states to provide notice and pay a fee before practicing in California, as required under the prior practice privilege program.

Prior Legislation Related to the CBA's Mobility Program Regulations

Last year, Governor Brown signed into law SB 547 (Chapter 427 of 2017 Statutes) which allows the CBA to change the inoperative dates of its mobility program regulations through an expedited rulemaking process, known as a Section 100 rulemaking.

The CBA has two sets of relevant regulations – the first for the current mobility program and the second for the prior practice privilege program:

- Article 3 pertains to the current mobility program and will become inoperative on January 1, 2019, coinciding with the sunset of the statutory authority for the CBA's mobility program.
- Article 4 pertains to the prior practice privilege program with its notice and fee requirements and is currently inoperative. These regulations remained in law in case the CBA returns to the prior practice privilege program.

Depending, in part, on whether the CBA's current mobility program is extended or sunsets, the CBA will need to initiate the rulemaking process to remove or amend the inoperative dates of Article 3 or Article 4.

Staff anticipate bringing a Section 100 rulemaking proposal to the September 2018 CBA meeting for discussion and possible approval so the revised operative dates may take effect on January 1, 2019.

Explanation of Amendments Approved During January 8, 2018 Senate B&P Committee Hearing

Following the CBA's March 2017 meeting, staff worked collaboratively with the sponsors of SB 795 to develop amendments to address staff's concerns with the introduced language of the bill. The amendments proposed by staff addressed drafting errors in the language of SB 795 and preserved the CBA's existing authority to use emergency rulemaking authority to implement the mobility program and require certain out-of-state licensees to file a notice and pay a fee if the CBA determines that to be necessary.

On January 8, 2018, the Senate B&P Committee approved the bill and amended it to address certain drafting errors identified in the introduced version of SB 795. In addition, the following amendments were made to the bill:

1. On page 22, line 20, under BPC section 5096.8, the amendment added an operative date of January 1, 2020 to this section.

BPC section 5096.8 provides the CBA and its Executive Officer authority to conduct investigations related to compliance with the mobility program. In the introduced version of SB 795, BPC section 5096.8 was inadvertently repealed. The amendments approved by the Senate B&P Committee restored this section and also included an operative date for this section of January 1, 2020. If this language were to go into law, this section would be inoperative during 2019.

Staff recommend the CBA direct staff to request that the operative date language be removed from the bill.

2. On page 22, line 25, in BPC section 5096.9, the amendment grants CBA permissive emergency rulemaking authority to adopt regulations to initially implement the mobility program.

The impact of this amendment is unclear and likely innocuous. BPC 5096.9 is an existing section of the law, which currently requires the CBA to conduct an emergency rulemaking to initially implement the mobility program, which already occurred.

During discussions with the sponsors and Senate B&P Committee, staff provided suggested amendments that would grant the CBA emergency rulemaking authority to continue implementing (beyond its initial implementation) necessary changes to the CBA's mobility regulations.

3. On page 29, beginning on line 28 and continuing to page 30, line 19, the amendment creates a new section of law, BPC section 5096.22. This new section would continue the CBA's authority to require out-of-state licensees from certain states to provide notice and pay a fee before practicing in California.

SB 795 Legislative Analysis

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Before placing such a requirement on out-of-state licensees, as described in BPC section 5096.21(a), the CBA must determine that allowing individuals from a particular state to practice in California pursuant to a practice privilege would violate the CBA's duty to protect the public. Then, the CBA would be required to complete an emergency rulemaking. Although this amendment adds a new section of law, the policy contained within that section currently exists in BPC sections 5096(d) and 5096.14 (**Attachment 3**).

Staff requested this amendment because the introduced version of SB 795 would have repealed BPC sections 5096 and 5096.14. Therefore, new language would be required to preserve this authority.

However, now that SB 795 merely extends the CBA's mobility program by one year, this new section 5096.22 may be duplicative of BPC sections 5096 and 5096.14. Staff will work with the sponsors and Legislature as SB 795 moves forward to prevent any duplicative code sections from taking effect in the final version of the bill.

Fiscal Estimate

There is no fiscal impact.

Recommendation

Support, if Amended. In the Mobility Report, the CBA concluded that the current mobility program meets the CBA's mission of consumer protection. In light of this conclusion, staff recommend the CBA approve a Support, if Amended position on SB 795 and to request in its position letter the following amendment:

- On page 22, line 20, remove the operative date language contained within BPC section 5096.8.

If the CBA adopts this recommendation, and the above amendment is made to the bill, the CBA's position would automatically change to Support.

Further, staff suggest that the CBA's position letter express its support for removing the sunset on the mobility program, thereby making it permanent.

Support/Opposition

Support: Co-sponsored by – California Society of Certified Public Accountants (CalCPA); Deloitte, LLP; Ernst & Young, LLP; Grant Thornton, LLP; KPMG, LLP; PwC, LLP.

Opposition: None at this time.

Effective/Operative Date

January 1, 2019

Related Bills

SB 547 (Chapter 429 of 2017 Statutes)

SB 1405 (Chapter 411 of 2012 Statutes)

SB 795 Legislative Analysis

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Attachments

1. Senate Bill 795 – January 10, 2018 version
2. Business and Professions Code Section 5096.21(a)
3. Business and Professions Code Sections 5096(d) and 5096.14
4. CalCPA position letter on SB 795

AMENDED IN SENATE JANUARY 10, 2018

SENATE BILL**No. 795****Introduced by Senator Galgiani**

February 17, 2017

An act to amend ~~Sections 5096.20 and 5096.21 of, to amend and repeal~~ Sections 5072, 5096, 5096.1, 5096.2, 5096.3, 5096.4, 5096.5, 5096.6, 5096.7, ~~5096.12 of, and to repeal~~ Sections 5096.3, 5096.8, 5096.9, 5096.10, 5096.12, 5096.13, 5096.14, ~~and 5096.15 of, 5096.15, 5096.20, and 5096.21 of, and to add and repeal~~ Section 5096.22 of, the Business and Professions Code, relating to ~~accountancy~~: *accountancy*, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 795, as amended, Galgiani. Accountancy: practice privileges.

Existing law provides for the licensure and regulation of the practice of accountancy by the California Board of Accountancy within the Department of Consumer Affairs.

(1) Existing law, until January 1, 2019, authorizes an individual whose principal place of business is not in this state and who has a valid and current license, certificate, or permit to practice public accountancy from another state to engage in the practice of public accountancy in this state under a practice privilege without obtaining a certificate or license, if certain conditions are met, ~~including a requirement that the individual has continually practiced public accountancy as a certified public accountant under a valid license issued by any state for at least 4 of the last 10 years.~~ *met*. Related provisions of existing law, until January 1, 2019, specifically address the denial, revocation, or administrative suspension of practice privileges and the authority of an individual with a practice privilege to sign attest reports. Existing law,

until January 1, 2019, requires the board to add specified content on out-of-state licensees to its Internet Web site. Existing law suspends, until January 1, 2019, certain provisions relating to the enforcement of practice privileges and notification of intent to practice under such a privilege. Existing law also suspends until January 1, 2019, a condition that makes the operation of practice privilege provisions contingent on a specified appropriation in the annual Budget Act to fund them.

~~This bill would require that the term of continual practice under a valid license be for at least 5 years. The bill would remove those January 1, 2019, repeal dates, thereby making the affected provisions operative indefinitely. The bill would repeal the suspended enforcement and contingent operation provisions. extend the repeal dates of the above-specified practice privilege provisions to January 1, 2020, and would change the operative date for the above-specified suspended provisions from January 1, 2019, to January 1, 2020.~~ The bill would make certain other conforming changes.

(2) Existing law prohibits a person from engaging in the practice of accountancy as a partnership unless the partnership is registered with the board and meets specified requirements. Existing law, until January 1, 2019, authorizes a partnership registered to provide certain services through an individual who qualifies for the practice privilege to meet those requirements.

~~This bill would remove the January 1, 2019, repeal date, thereby making that partnership provision operative indefinitely. extend the repeal date to January 1, 2020.~~

(3) Existing law, until January 1, 2019, authorizes the board to make a determination based on specified factors about whether allowing individuals from a particular state to practice pursuant to a practice privilege violates the board's duty to protect the public and requires the board, if it makes such a determination, to impose certain additional requirements on individuals. Existing law, until January 1, 2019, requires the board, by January 1, 2018, to prepare a report to be provided to the relevant policy committees of the Legislature and the director detailing, among other things, how the board has implemented these practice privilege provisions.

~~This bill would remove those January 1, 2019, repeal dates, thereby making the affected provisions operative indefinitely. extend the repeal dates to January 1, 2020.~~

Existing law prohibits engaging in the practice of public accountancy without a valid permit or practice privilege and makes a violation of

these provisions a crime. Existing law requires funds received by the board pursuant to the provisions regulating the practice of accounting to be deposited to the credit of the Accountancy Fund and continuously appropriates money in the Accountancy Fund to the board to carry out those provisions.

This bill, until January 1, 2020, would require individuals whose principal place of business is in another state that is subject to a board determination to submit notification to the board prior to practicing in California, and to pay a fee equal to reasonable administrative costs as established by the board. By increasing administrative fees deposited into the Accountancy Fund, a continuously appropriated fund, the bill would make an appropriation. The bill would make failure to comply with these provisions unlawful, and would authorize the board to impose a fine that is equal to reasonable enforcement costs, in addition to other existing remedies. By expanding the scope of an existing crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: ~~no~~-yes. Fiscal committee: yes.
State-mandated local program: ~~no~~-yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 5072 of the Business and Professions
- 2 Code, as added by Section 4.5 of Chapter 661 of the Statutes of
- 3 2012, is amended to read:
- 4 5072. (a) No persons shall engage in the practice of
- 5 accountancy as a partnership unless the partnership is registered
- 6 by the board.
- 7 (b) A partnership, other than a limited partnership, may be
- 8 registered by the board to engage in the practice of public
- 9 accountancy provided it meets the following requirements:
- 10 (1) At least one general partner shall hold a valid permit to
- 11 practice as a certified public accountant, public accountant, or
- 12 accountancy corporation, or shall be an applicant for a certificate
- 13 as a certified public accountant under Sections 5087 and 5088, or

1 the partnership shall be registered pursuant to subdivision (c) of
2 Section 5096.12.

3 (2) Each partner engaged within this state in the practice of
4 public accountancy as defined by Section 5051 shall hold a valid
5 permit to practice in this state or shall have applied for a certificate
6 as a certified public accountant under Sections 5087 and 5088,
7 except for a partner with practice privileges pursuant to Section
8 5096.

9 (3) Each partner not engaged in the practice of public
10 accountancy within this state shall be a certified public accountant
11 in good standing of some state, except as permitted by Section
12 5079.

13 (4) Each resident manager in charge of an office of the firm in
14 this state shall be a licensee in good standing of this state, or shall
15 have applied for a certificate as a certified public accountant under
16 Sections 5087 and 5088.

17 (c) This section shall become operative on July 1, 2013.

18 (d) *This section shall remain in effect only until January 1, 2020,*
19 *and as of that date is repealed.*

20 ~~SEC. 2. Section 5072 of the Business and Professions Code,~~
21 ~~as added by Section 4.7 of Chapter 661 of the Statutes of 2012, is~~
22 ~~repealed.~~

23 *SEC. 2. Section 5072 of the Business and Professions Code,*
24 *as added by Section 4.7 of Chapter 661 of the Statutes of 2012, is*
25 *amended to read:*

26 5072. (a) No persons shall engage in the practice of
27 accountancy as a partnership unless the partnership is registered
28 by the board.

29 (b) A partnership, other than a limited partnership, may be
30 registered by the board to engage in the practice of public
31 accountancy provided it meets the following requirements:

32 (1) At least one general partner shall hold a valid permit to
33 practice as a certified public accountant, public accountant, or
34 accountancy corporation, or shall be an applicant for a certificate
35 as a certified public accountant under Sections 5087 and 5088.

36 (2) Each partner engaged within this state in the practice of
37 public accountancy as defined by Section 5051 shall hold a valid
38 permit to practice in this state or shall have applied for a certificate
39 as a certified public accountant under Sections 5087 and 5088.

1 (3) Each partner not engaged in the practice of public
2 accountancy within this state shall be a certified public accountant
3 in good standing of some state, except as permitted by Section
4 5079.

5 (4) Each resident manager in charge of an office of the firm in
6 this state shall be a licensee in good standing of this state, or shall
7 have applied for a certificate as a certified public accountant under
8 Sections 5087 and 5088.

9 (c) This section shall become operative on January 1, ~~2019~~.
10 2020.

11 SEC. 3. Section 5096 of the Business and Professions Code,
12 as amended by Section 6 of Chapter 400 of the Statutes of 2014,
13 is amended to read:

14 5096. (a) An individual whose principal place of business is
15 not in this state and who has a valid and current license, certificate,
16 or permit to practice public accountancy from another state may,
17 subject to the conditions and limitations in this article, engage in
18 the practice of public accountancy in this state under a practice
19 privilege without obtaining a certificate or license under this
20 chapter if the individual satisfies one of the following:

21 (1) The individual has continually practiced public accountancy
22 as a certified public accountant under a valid license issued by any
23 state for at least ~~5~~ *four* of the last 10 years.

24 (2) The individual has a license, certificate, or permit from a
25 state that has been determined by the board to have education,
26 examination, and experience qualifications for licensure
27 substantially equivalent to this state's qualifications under Section
28 5093.

29 (3) The individual possesses education, examination, and
30 experience qualifications for licensure that have been determined
31 by the board to be substantially equivalent to this state's
32 qualifications under Section 5093.

33 (b) The board may designate states as substantially equivalent
34 under paragraph (2) of subdivision (a) and may accept individual
35 qualification evaluations or appraisals conducted by designated
36 entities, as satisfying the requirements of paragraph (3) of
37 subdivision (a).

38 (c) An individual who qualifies for the practice privilege under
39 this section may engage in the practice of public accountancy in

1 this state, and a notice, fee, or other requirement shall not be
2 imposed on that individual by the board.

3 (d) An individual who qualifies for the practice privilege under
4 this section may perform the following services only through a
5 firm of certified public accountants that has obtained a registration
6 from the board pursuant to Section 5096.12:

7 (1) An audit or review of a financial statement for an entity
8 headquartered in California.

9 (2) A compilation of a financial statement when that person
10 expects, or reasonably might expect, that a third party will use the
11 financial statement and the compilation report does not disclose a
12 lack of independence for an entity headquartered in California.

13 (3) An examination of prospective financial information for an
14 entity headquartered in California.

15 (e) An individual who holds a practice privilege under this
16 article, and is exercising the practice privilege in California:

17 (1) Is subject to the personal and subject matter jurisdiction and
18 disciplinary authority of the board and the courts of this state.

19 (2) Shall comply with the provisions of this chapter, board
20 regulations, and other laws, regulations, and professional standards
21 applicable to the practice of public accountancy by the licensees
22 of this state and to any other laws and regulations applicable to
23 individuals practicing under practice privileges in this state, except
24 the individual is deemed, solely for the purpose of this article, to
25 have met the continuing education requirements and ethics
26 examination requirements of this state when the individual has
27 met the examination and continuing education requirements of the
28 state in which the individual holds the valid license, certificate, or
29 permit on which the substantial equivalency is based.

30 (3) Shall not provide public accountancy services in this state
31 from any office located in this state, except as an employee of a
32 firm registered in this state. This paragraph does not apply to public
33 accountancy services provided to a client at the client's place of
34 business or residence.

35 (4) Is deemed to have appointed the regulatory agency of the
36 state that issued the individual's certificate, license, or permit upon
37 which substantial equivalency is based as the individual's agent
38 on whom notices, subpoenas, or other process may be served in
39 any action or proceeding by the board against the individual.

1 (5) Shall cooperate with any board investigation or inquiry and
2 shall timely respond to a board investigation, inquiry, request,
3 notice, demand, or subpoena for information or documents and
4 timely provide to the board the identified information and
5 documents.

6 (6) Shall cease exercising the practice privilege in this state if
7 the regulatory agency in the state in which the individual's
8 certificate, license, or permit was issued takes disciplinary action
9 resulting in the suspension or revocation, including stayed
10 suspension, stayed revocation, or probation of the individual's
11 certificate, license, or permit, or takes other disciplinary action
12 against the individual's certificate, license, or permit that arises
13 from any of the following:

14 (A) Gross negligence, recklessness, or intentional wrongdoing
15 relating to the practice of public accountancy.

16 (B) Fraud or misappropriation of funds.

17 (C) Preparation, publication, or dissemination of false,
18 fraudulent, or materially incomplete or misleading financial
19 statements, reports, or information.

20 (7) Shall cease exercising the practice privilege in this state if
21 convicted in any jurisdiction of any crime involving dishonesty,
22 including, but not limited to, embezzlement, theft, misappropriation
23 of funds or property, or obtaining money, property, or other
24 valuable consideration by fraudulent means or false pretenses.

25 (8) Shall cease exercising the practice privilege if the United
26 States Securities and Exchange Commission or the Public Company
27 Accounting Oversight Board bars the individual from practicing
28 before them.

29 (9) Shall cease exercising the practice privilege if any
30 governmental body or agency suspends the right of the individual
31 to practice before the body or agency.

32 (10) Shall report to the board in writing any pending criminal
33 charges, other than for a minor traffic violation, in any jurisdiction
34 within 30 days of the date the individual has knowledge of those
35 charges.

36 (f) An individual who is required to cease practice pursuant to
37 paragraphs (6) to (9), inclusive, of subdivision (e) shall notify the
38 board within 15 calendar days, on a form prescribed by the board,
39 and shall not practice public accountancy in this state pursuant to

1 this section until he or she has received from the board written
2 permission to do so.

3 (g) An individual who fails to cease practice as required by
4 subdivision (e) or who fails to provide the notice required by
5 subdivision (f) shall be subject to the personal and subject matter
6 jurisdiction and disciplinary authority of the board as if the practice
7 privilege were a license and the individual were a licensee. An
8 individual in violation of subdivision (e) or (f) shall, for a minimum
9 of one year from the date the board learns there has been a violation
10 of subdivision (e) or (f), not practice in this state and shall not have
11 the possibility of reinstatement during that period. If the board
12 determines that the failure to cease practice or provide the notice
13 was intentional, that individual's practice privilege shall be revoked
14 and there shall be no possibility of reinstatement for a minimum
15 of two years.

16 (h) The board shall require an individual who provides notice
17 to the board pursuant to subdivision (f) to cease the practice of
18 public accountancy in this state until the board provides the
19 individual with written permission to resume the practice of public
20 accountancy in this state.

21 (i) (1) An individual to whom, within the last seven years
22 immediately preceding the date on which he or she wishes to
23 practice in this state, any of the following criteria apply, shall notify
24 the board, on a form prescribed by the board, and shall not practice
25 public accountancy in this state pursuant to this section until the
26 board provides the individual with written permission to do so:

27 (A) He or she has been the subject of any final disciplinary
28 action by the licensing or disciplinary authority of any other
29 jurisdiction with respect to any professional license or has any
30 charges of professional misconduct pending against him or her in
31 any other jurisdiction.

32 (B) He or she has had his or her license in another jurisdiction
33 reinstated after a suspension or revocation of the license.

34 (C) He or she has been denied issuance or renewal of a
35 professional license or certificate in any other jurisdiction for any
36 reason other than an inadvertent administrative error.

37 (D) He or she has been convicted of a crime or is subject to
38 pending criminal charges in any jurisdiction other than a minor
39 traffic violation.

1 (E) He or she has otherwise acquired a disqualifying condition
2 as described in subdivision (a) of Section 5096.2.

3 (2) An individual who fails to cease practice as required by
4 subdivision (e) or who fails to provide the notice required by
5 paragraph (1) shall be subject to the personal and subject matter
6 jurisdiction and disciplinary authority of the board as if the practice
7 privilege were a license and the individual were a licensee. An
8 individual in violation of subdivision (e) or paragraph (1) shall,
9 for a minimum of one year from the date the board knows there
10 has been a violation of subdivision (e) or paragraph (1), not practice
11 in this state and shall not have the possibility of reinstatement
12 during that period. If the board determines that the failure to cease
13 practice or provide the notice was intentional, that individual shall
14 be prohibited from practicing in this state in the same manner as
15 if a licensee has his or her practice privilege revoked and there
16 shall be no possibility of reinstatement for a minimum of two years.

17 (j) *This section shall remain in effect only until January 1, 2020,*
18 *and as of that date is repealed.*

19 ~~SEC. 4. Section 5096 of the Business and Professions Code,~~
20 ~~as added by Section 10 of Chapter 411 of the Statutes of 2012, is~~
21 ~~repealed.~~

22 *SEC. 4. Section 5096 of the Business and Professions Code,*
23 *as added by Section 10 of Chapter 411 of the Statutes of 2012, is*
24 *amended to read:*

25 5096. (a) An individual whose principal place of business is
26 not in this state and who has a valid and current license, certificate,
27 or permit to practice public accountancy from another state may,
28 subject to the conditions and limitations in this article, engage in
29 the practice of public accountancy in this state under a practice
30 privilege without obtaining a certificate or license under this
31 chapter if the individual satisfies one of the following:

32 (1) The individual has continually practiced public accountancy
33 as a certified public accountant under a valid license issued by any
34 state for at least four of the last 10 years.

35 (2) The individual has a license, certificate, or permit from a
36 state which has been determined by the board to have education,
37 examination, and experience qualifications for licensure
38 substantially equivalent to this state's qualifications under Section
39 5093.

1 (3) The individual possesses education, examination, and
2 experience qualifications for licensure which have been determined
3 by the board to be substantially equivalent to this state's
4 qualifications under Section 5093.

5 (b) The board may designate states as substantially equivalent
6 under paragraph (2) of subdivision (a) and may accept individual
7 qualification evaluations or appraisals conducted by designated
8 entities, as satisfying the requirements of paragraph (3) of
9 subdivision (a).

10 (c) To obtain a practice privilege under this section, an
11 individual who meets the requirements of subdivision (a), shall do
12 the following:

13 (1) In the manner prescribed by board regulation, notify the
14 board of the individual's intent to practice.

15 (2) Pay a fee as provided in Article 8 (commencing with Section
16 5130).

17 (d) Except as otherwise provided by this article or by board
18 regulation, the practice privilege commences when the individual
19 notifies the board, provided the fee is received by the board within
20 30 days of that date. The board shall permit the notification to be
21 provided electronically.

22 (e) An individual who holds a practice privilege under this
23 article:

24 (1) Is subject to the personal and subject matter jurisdiction and
25 disciplinary authority of the board and the courts of this state.

26 (2) Shall comply with the provisions of this chapter, board
27 regulations, and other laws, regulations, and professional standards
28 applicable to the practice of public accountancy by the licensees
29 of this state and to any other laws and regulations applicable to
30 individuals practicing under practice privileges in this state except
31 the individual is deemed, solely for the purpose of this article, to
32 have met the continuing education requirements and ethics
33 examination requirements of this state when such individual has
34 met the examination and continuing education requirements of the
35 state in which the individual holds the valid license, certificate, or
36 permit on which the substantial equivalency is based.

37 (3) Shall not provide public accountancy services in this state
38 from any office located in this state, except as an employee of a
39 firm registered in this state. This paragraph does not apply to public

1 accountancy services provided to a client at the client's place of
2 business or residence.

3 (4) Is deemed to have appointed the regulatory agency of the
4 state that issued the individual's certificate, license, or permit upon
5 which substantial equivalency is based as the individual's agent
6 on whom notices, subpoenas, or other process may be served in
7 any action or proceeding by the board against the individual.

8 (5) Shall cooperate with any board investigation or inquiry and
9 shall timely respond to a board investigation, inquiry, request,
10 notice, demand, or subpoena for information or documents and
11 timely provide to the board the identified information and
12 documents.

13 (f) A practice privilege expires one year from the date of the
14 notice, unless a shorter period is set by board regulation.

15 (g) (1) No individual may practice under a practice privilege
16 without prior approval of the board if the individual has, or acquires
17 at any time during the term of the practice privilege, any
18 disqualifying condition under paragraph (2) of this subdivision.

19 (2) Disqualifying conditions include:

20 (A) Conviction of any crime other than a minor traffic violation.

21 (B) Revocation, suspension, denial, surrender, or other discipline
22 or sanctions involving any license, permit, registration, certificate,
23 or other authority to practice any profession in this or any other
24 state or foreign country or to practice before any state, federal, or
25 local court or agency, or the Public Company Accounting Oversight
26 Board.

27 (C) Pendency of any investigation, inquiry, or proceeding by
28 or before any state, federal or local court or agency, including, but
29 not limited to, the Public Company Accounting Oversight Board,
30 involving the professional conduct of the individual.

31 (D) Any judgment or arbitration award against the individual
32 involving the professional conduct of the individual in the amount
33 of thirty thousand dollars (\$30,000) or greater.

34 (E) Any other conditions as specified by the board in regulation.

35 (3) The board may adopt regulations exempting specified minor
36 occurrences of the conditions listed in subparagraph (B) of
37 paragraph (2) from being disqualifying conditions under this
38 subdivision.

39 (h) This section shall become operative on January 1, ~~2019~~.
40 2020.

1 SEC. 5. Section 5096.1 of the Business and Professions Code,
2 as added by Section 12 of Chapter 411 of the Statutes of 2012, is
3 amended to read:

4 5096.1. (a) Any individual, not a licensee of this state, who is
5 engaged in any act which is the practice of public accountancy in
6 this state, and who does not qualify to practice pursuant to the
7 practice privilege described in Section 5096 and who has a license,
8 certificate, or other authority to engage in the practice of public
9 accountancy in any other state, regardless of whether active,
10 inactive, suspended, or subject to renewal on payment of a fee or
11 completion of an educational or ethics requirement, is:

12 (1) Deemed to be practicing public accountancy unlawfully in
13 this state.

14 (2) Subject to the personal and subject matter jurisdiction and
15 disciplinary authority of the board and the courts of this state to
16 the same extent as a holder of a valid practice privilege.

17 (3) Deemed to have appointed the regulatory agency of the state
18 that issued the individual's certificate or license as the individual's
19 agent on whom notice, subpoenas, or other process may be served
20 in any action or proceeding by the board against the individual.

21 (b) The board may revoke a practice privilege from any
22 individual who has violated this section or implementing
23 regulations or committed any act which would be grounds for
24 discipline against the holder of a practice privilege.

25 (c) This section shall become operative on July 1, 2013.

26 (d) *This section shall remain in effect only until January 1, 2020,*
27 *and as of that date is repealed.*

28 ~~SEC. 6. Section 5096.1 of the Business and Professions Code,~~
29 ~~as added by Section 13 of Chapter 411 of the Statutes of 2012, is~~
30 ~~repealed.~~

31 *SEC. 6. Section 5096.1 of the Business and Professions Code,*
32 *as added by Section 13 of Chapter 411 of the Statutes of 2012, is*
33 *amended to read:*

34 5096.1. (a) Any individual, not a licensee of this state, who is
35 engaged in any act which is the practice of public accountancy in
36 this state, and who has not given notice of intent to practice under
37 practice privileges and paid the fee required pursuant to the
38 provisions of this article, and who has a license, certificate, or
39 other authority to engage in the practice of public accountancy in
40 any other state, regardless of whether active, inactive, suspended,

1 or subject to renewal on payment of a fee or completion of an
2 educational or ethics requirement, is:

3 (1) Deemed to be practicing public accountancy unlawfully in
4 this state.

5 (2) Subject to the personal and subject matter jurisdiction and
6 disciplinary authority of the board and the courts of this state to
7 the same extent as a holder of a valid practice privilege.

8 (3) Deemed to have appointed the regulatory agency of the state
9 that issued the individual's certificate or license as the individual's
10 agent on whom notice, subpoenas, or other process may be served
11 in any action or proceeding by the board against the individual.

12 (b) The board may prospectively deny a practice privilege to
13 any individual who has violated this section or implementing
14 regulations or committed any act which would be grounds for
15 discipline against the holder of a practice privilege.

16 (c) This section shall become operative on January 1, ~~2019~~.
17 2020.

18 SEC. 7. Section 5096.2 of the Business and Professions Code,
19 as amended by Section 4 of Chapter 319 of the Statutes of 2013,
20 is amended to read:

21 5096.2. (a) (1) Practice privileges may be revoked for any of
22 the following reasons:

23 (A) If an individual no longer qualifies under, or complies with,
24 the provisions of this article, including, but not limited to, Section
25 5096, or implementing regulations.

26 (B) If an individual commits any act that if committed by an
27 applicant for licensure would be grounds for denial of a license
28 under Section 480.

29 (C) If an individual commits any act that if committed by a
30 licensee would be grounds for discipline under Section 5100.

31 (D) If an individual commits any act outside of this state that
32 would be a violation if committed within this state.

33 (E) If an individual acquires at any time, while exercising the
34 practice privilege, any disqualifying condition under paragraph
35 (2).

36 (2) Disqualifying conditions include:

37 (A) Conviction of any crime other than a minor traffic violation.

38 (B) Revocation, suspension, denial, surrender, or other discipline
39 or sanctions involving any license, permit, registration, certificate,
40 or other authority to practice any profession in this or any other

1 state or foreign country or to practice before any state, federal, or
2 local court or agency, or the Public Company Accounting Oversight
3 Board.

4 (C) Any judgment or arbitration award against the individual
5 involving the professional conduct of the individual in the amount
6 of thirty thousand dollars (\$30,000) or greater.

7 (D) Any other conditions as specified by the board in regulation.

8 (3) The board may adopt regulations exempting specified minor
9 occurrences of the conditions listed in subparagraph (B) of
10 paragraph (2) from being disqualifying conditions under this
11 subdivision.

12 (b) The board may revoke practice privileges using either of
13 the following procedures:

14 (1) Notifying the individual in writing of all of the following:

15 (A) That the practice privilege is revoked.

16 (B) The reasons for revocation.

17 (C) The earliest date on which the individual may qualify for a
18 practice privilege.

19 (D) That the individual has a right to appeal the notice and
20 request a hearing under the provisions of the Administrative
21 Procedure Act (Chapter 3.5 (commencing with Section 11340) of
22 Part 1 of Division 3 of Title 2 of the Government Code) if a written
23 notice of appeal and request for hearing is made within 60 days.

24 (E) That, if the individual does not submit a notice of appeal
25 and request for hearing within 60 days, the board's action set forth
26 in the notice shall become final.

27 (2) Filing a statement of issues under the Administrative
28 Procedure Act (Chapter 3.5 (commencing with Section 11340) of
29 Part 1 of Division 3 of Title 2 of the Government Code).

30 (c) An individual whose practice privilege has been revoked
31 may only subsequently exercise the practice privilege upon
32 application to the board for reinstatement of the practice privilege
33 not less than one year after the effective date of the notice or
34 decision revoking the practice privilege, unless a longer time period
35 is specified in the notice or decision revoking the practice privilege.

36 (d) Holders of practice privileges are subject to suspension,
37 citations, fines, or other disciplinary actions for any conduct that
38 would be grounds for discipline against a licensee of the board or
39 for any conduct in violation of this article or regulations adopted
40 thereunder.

1 (e) The board may recover its costs pursuant to Section 5107
2 as part of any disciplinary proceeding against the holder of a
3 practice privilege.

4 (f) The provisions of the Administrative Procedure Act (Chapter
5 3.5 (commencing with Section 11340) of Part 1 of Division 3 of
6 Title 2 of the Government Code), including, but not limited to, the
7 commencement of a disciplinary proceeding by the filing of an
8 accusation by the board, shall apply under this article.

9 (g) If the board revokes or otherwise limits an individual's
10 practice privilege, the board shall promptly notify the regulatory
11 agency of the state or states in which the individual is licensed,
12 and the United States Securities and Exchange Commission, the
13 Public Company Accounting Oversight Board, and the National
14 Association of State Boards of Accountancy.

15 (h) *This section shall remain in effect only until January 1, 2020,*
16 *and as of that date is repealed.*

17 ~~SEC. 8. Section 5096.2 of the Business and Professions Code,~~
18 ~~as added by Section 16 of Chapter 411 of the Statutes of 2012, is~~
19 ~~repealed.~~

20 *SEC. 8. Section 5096.2 of the Business and Professions Code,*
21 *as added by Section 16 of Chapter 411 of the Statutes of 2012, is*
22 *amended to read:*

23 5096.2. (a) Practice privileges may be denied for failure to
24 qualify under or comply with the provisions of this article or
25 implementing regulations, or for any act that if committed by an
26 applicant for licensure would be grounds for denial of a license
27 under Section 480 or if committed by a licensee would be grounds
28 for discipline under Section 5100, or for any act committed outside
29 of this state that would be a violation if committed within this state.

30 (b) The board may deny practice privileges using either of the
31 following procedures:

32 (1) Notifying the individual in writing of all of the following:

33 (A) That the practice privilege is denied.

34 (B) The reasons for denial.

35 (C) The earliest date on which the individual is eligible for a
36 practice privilege.

37 (D) That the individual has a right to appeal the notice and
38 request a hearing under the provisions of the Administrative
39 Procedure Act (Chapter 3.5 (commencing with Section 11340) of

Part 1 of Division 3 of Title 2 of the Government Code) if a written notice of appeal and request for hearing is made within 60 days.

(E) That, if the individual does not submit a notice of appeal and request for hearing within 60 days, the board's action set forth in the notice shall become final.

(2) Filing a statement of issues under the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(c) An individual who had been denied a practice privilege may apply for a new practice privilege not less than one year after the effective date of the notice or decision denying the practice privilege unless a longer time period, not to exceed three years, is specified in the notice or decision denying the practice privilege.

(d) This section shall become operative on January 1, 2019.
2020.

~~SEC. 9. Section 5096.3 of the Business and Professions Code is repealed.~~

SEC. 9. Section 5096.3 of the Business and Professions Code is amended to read:

5096.3. (a) Practice privileges are subject to revocation, suspension, fines, or other disciplinary sanctions for any conduct that would be grounds for discipline against a licensee of the board or for any conduct in violation of this article or regulations implementing this article.

(b) Practice privileges are subject to discipline during any time period in which they are valid, under administrative suspension, or expired.

(c) The board may recover its costs pursuant to Section 5107 as part of any disciplinary proceeding against the holder of a practice privilege.

(d) An individual whose practice privilege has been revoked may apply for a new practice privilege not less than one year after the effective date of the board's decision revoking the individual's practice privilege unless a longer time period, not to exceed three years, is specified in the board's decision revoking the practice privilege.

(e) The provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), including, but not limited to, the

1 commencement of a disciplinary proceeding by the filing of an
2 accusation by the board shall apply under this article.

3 (f) This section shall become operative on January 1, ~~2019~~.
4 2020.

5 SEC. 10. Section 5096.4 of the Business and Professions Code,
6 as amended by Section 7 of Chapter 400 of the Statutes of 2014,
7 is amended to read:

8 5096.4. (a) The right of an individual to practice in this state
9 under a practice privilege may be administratively suspended at
10 any time by an order issued by the board or its executive officer,
11 without prior notice or hearing, for the purpose of conducting a
12 disciplinary investigation, proceeding, or inquiry concerning the
13 individual's competence or qualifications to practice under practice
14 privileges, failure to timely respond to a board inquiry or request
15 for information or documents, or under other conditions and
16 circumstances provided for by board regulation. The board shall
17 consult the Public Company Accounting Oversight Board and the
18 United States Securities and Exchange Commission at least once
19 every six months to identify out-of-state licensees who may have
20 disqualifying conditions or who may be obliged to cease practice,
21 and shall disclose, pursuant to this subdivision, whether those
22 out-of-state licensees are lawfully permitted to exercise the
23 privilege. Disclosure of this information shall not be considered
24 discipline.

25 (b) The administrative suspension order is immediately effective
26 when mailed to the individual's address of record or agent for
27 notice and service as provided for in this article.

28 (c) The administrative suspension order shall contain the
29 following:

30 (1) The reason for the suspension.

31 (2) A statement that the individual has the right, within 30 days,
32 to appeal the administrative suspension order and request a hearing.

33 (3) A statement that any appeal hearing will be conducted under
34 the provisions of the Administrative Procedure Act (Chapter 3.5
35 (commencing with Section 11340) of Part 1 of Division 3 of Title
36 2 of the Government Code) applicable to individuals who are
37 denied licensure, including the filing of a statement of issues by
38 the board setting forth the reasons for the administrative suspension
39 of practice privileges and specifying the statutes and rules with
40 which the individual must show compliance by producing proof

1 at the hearing and in addition any particular matters that have come
2 to the attention of the board and that would authorize the
3 administrative suspension, or the revocation of practice privileges.

4 (d) The burden is on the holder of the suspended practice
5 privilege to establish both qualification and fitness to practice
6 under practice privileges.

7 (e) The administrative suspension shall continue in effect until
8 terminated by an order of the board or the executive officer.

9 (f) Administrative suspension is not discipline and shall not
10 preclude any individual from applying for a license to practice
11 public accountancy in this state.

12 (g) Proceedings to appeal an administrative suspension order
13 may be combined or coordinated with proceedings for revocation
14 or discipline of a practice privilege.

15 (h) This section shall become operative on July 1, 2013.

16 (i) *This section shall remain in effect only until January 1, 2020,*
17 *and as of that date is repealed.*

18 ~~SEC. 11. Section 5096.4 of the Business and Professions Code,~~
19 ~~as amended by Section 8 of Chapter 400 of the Statutes of 2014,~~
20 ~~is repealed.~~

21 *SEC. 11. Section 5096.4 of the Business and Professions Code,*
22 *as amended by Section 8 of Chapter 400 of the Statutes of 2014,*
23 *is amended to read:*

24 5096.4. (a) The right of an individual to practice in this state
25 under a practice privilege may be administratively suspended at
26 any time by an order issued by the board or its executive officer,
27 without prior notice or hearing, for the purpose of conducting a
28 disciplinary investigation, proceeding, or inquiry concerning the
29 representations made in the notice, the individual's competence
30 or qualifications to practice under practice privileges, failure to
31 timely respond to a board inquiry or request for information or
32 documents, or under other conditions and circumstances provided
33 for by board regulation.

34 (b) The administrative suspension order is immediately effective
35 when mailed to the individual's address of record or agent for
36 notice and service as provided for in this article.

37 (c) The administrative suspension order shall contain the
38 following:

39 (1) The reason for the suspension.

1 (2) A statement that the individual has the right, within 30 days,
2 to appeal the administrative suspension order and request a hearing.

3 (3) A statement that any appeal hearing will be conducted under
4 the Administrative Procedure Act (Chapter 3.5 (commencing with
5 Section 11340) of Part 1 of Division 3 of Title 2 of the Government
6 Code) applicable to individuals who are denied licensure, including
7 the filing of a statement of issues by the board setting forth the
8 reasons for the administrative suspension of practice privileges
9 and specifying the statutes and rules with which the individual
10 must show compliance by producing proof at the hearing and in
11 addition any particular matters that have come to the attention of
12 the board and that would authorize the administrative suspension,
13 or the denial of practice privileges.

14 (d) The burden is on the holder of the suspended practice
15 privilege to establish both qualification and fitness to practice
16 under practice privileges.

17 (e) The administrative suspension shall continue in effect until
18 terminated by an order of the board or the executive officer or
19 expiration of the practice privilege under administrative suspension.

20 (f) Administrative suspension is not discipline and shall not
21 preclude any individual from applying for a license to practice
22 public accountancy in this state or from applying for a new practice
23 privilege upon expiration of the one under administrative
24 suspension, except that the new practice privilege shall not be
25 effective until approved by the board.

26 (g) Notwithstanding any administrative suspension, a practice
27 privilege expires one year from the date of notice unless a shorter
28 period is set by board regulation.

29 (h) Proceedings to appeal an administrative suspension order
30 may be combined or coordinated with proceedings for denial or
31 discipline of a practice privilege.

32 (i) This section shall become operative on January 1, ~~2019~~
33 ~~2020~~.

34 SEC. 12. Section 5096.5 of the Business and Professions Code,
35 as added by Section 23 of Chapter 411 of the Statutes of 2012, is
36 amended to read:

37 5096.5. (a) Notwithstanding any other provision of this article,
38 an individual may not sign any attest report pursuant to a practice
39 privilege unless the individual meets the experience requirements
40 of Section 5095.

1 (b) This section shall become operative on July 1, 2013.

2 (c) *This section shall remain in effect only until January 1, 2020,*
3 *and as of that date is repealed.*

4 ~~SEC. 13. Section 5096.5 of the Business and Professions Code,~~
5 ~~as added by Section 24 of Chapter 411 of the Statutes of 2012, is~~
6 ~~repealed.~~

7 *SEC. 13. Section 5096.5 of the Business and Professions Code,*
8 *as added by Section 24 of Chapter 411 of the Statutes of 2012, is*
9 *amended to read:*

10 5096.5. (a) Notwithstanding any other provision of this article,
11 an individual may not sign any attest report pursuant to a practice
12 privilege unless the individual meets the experience requirements
13 of Section 5095 and completes any continuing education or other
14 conditions required by the board regulations implementing this
15 article.

16 (b) This section shall become operative on January 1, ~~2019.~~
17 ~~2020.~~

18 SEC. 14. Section 5096.6 of the Business and Professions Code,
19 as added by Section 26 of Chapter 411 of the Statutes of 2012, is
20 amended to read:

21 5096.6. (a) In addition to the authority otherwise provided for
22 by this code, the board may delegate to the executive officer the
23 authority to issue any notice or order provided for in this article
24 and to act on behalf of the board, including, but not limited to,
25 issuing an interim suspension order, subject to the right of the
26 individual to timely appeal and request a hearing as provided for
27 in this article.

28 (b) This section shall become operative on July 1, 2013.

29 (c) *This section shall remain in effect only until January 1, 2020,*
30 *and as of that date is repealed.*

31 ~~SEC. 15. Section 5096.6 of the Business and Professions Code,~~
32 ~~as added by Section 27 of Chapter 411 of the Statutes of 2012, is~~
33 ~~repealed.~~

34 *SEC. 15. Section 5096.6 of the Business and Professions Code,*
35 *as added by Section 27 of Chapter 411 of the Statutes of 2012, is*
36 *amended to read:*

37 5096.6. (a) In addition to the authority otherwise provided for
38 by this code, the board may delegate to the executive officer the
39 authority to issue any notice or order provided for in this article
40 and to act on behalf of the board, including, but not limited to,

1 issuing a notice of denial of a practice privilege and an interim
2 suspension order, subject to the right of the individual to timely
3 appeal and request a hearing as provided for in this article.

4 (b) This section shall become operative on January 1, ~~2019~~.
5 2020.

6 SEC. 16. Section 5096.7 of the Business and Professions Code,
7 as added by Section 29 of Chapter 411 of the Statutes of 2012, is
8 amended to read:

9 5096.7. (a) Anywhere the term “license,” “licensee,” “permit,”
10 or “certificate” is used in this chapter or Division 1.5 (commencing
11 with Section 475), it shall include persons holding practice
12 privileges under this article, unless otherwise inconsistent with the
13 provisions of the article.

14 (b) Anywhere the term “employee” is used in this article it shall
15 include, but is not limited to, partners, shareholders, and other
16 owners.

17 (c) For purposes of this article, the term “license” includes
18 certificate or permit.

19 (d) This section shall become operative on July 1, 2013.

20 (e) *This section shall remain in effect only until January 1, 2020,*
21 *and as of that date is repealed.*

22 ~~SEC. 17. Section 5096.7 of the Business and Professions Code,~~
23 ~~as added by Section 30 of Chapter 411 of the Statutes of 2012, is~~
24 ~~repealed.~~

25 ~~SEC. 18. Section 5096.8 of the Business and Professions Code~~
26 ~~is repealed.~~

27 ~~SEC. 19. Section 5096.9 of the Business and Professions Code~~
28 ~~is repealed.~~

29 SEC. 17. Section 5096.7 of the Business and Professions Code,
30 as added by Section 30 of Chapter 411 of the Statutes of 2012, is
31 amended to read:

32 5096.7. Except as otherwise provided in this article, the
33 following definitions apply:

34 (a) Anywhere the term “license,” “licensee,” “permit,” or
35 “certificate” is used in this chapter or Division 1.5 (commencing
36 with Section 475), it shall include persons holding practice
37 privileges under this article, unless otherwise inconsistent with the
38 provisions of the article.

39 (b) Any notice of practice privileges under this article and
40 supporting documents is deemed an application for licensure for

1 purposes of the provisions of this code, including, but not limited
2 to, the provisions of this chapter and the provisions of Division
3 1.5 (commencing with Section 475) related to the denial,
4 suspension, and revocation of licenses.

5 (c) Anywhere the term “employee” is used in this article it shall
6 include, but is not limited to, partners, shareholders, and other
7 owners.

8 (d) This section shall become operative on January 1, ~~2019~~.
9 2020.

10 *SEC. 18. Section 5096.8 of the Business and Professions Code*
11 *is amended to read:*

12 5096.8. (a) In addition to the authority otherwise provided
13 by this code, all investigative powers of the board, including those
14 delegated to the executive officer, shall apply to investigations
15 concerning compliance with, or actual or potential violations of,
16 the provisions of this article or implementing regulations, including,
17 but not limited to, the power to conduct investigations and hearings
18 by the executive officer under Section 5103 and to issuance of
19 subpoenas under Section 5108.

20 (b) *This section shall become operative on January 1, 2020.*

21 *SEC. 19. Section 5096.9 of the Business and Professions Code*
22 *is amended to read:*

23 5096.9. (a) The board is authorized to adopt regulations to
24 implement, interpret, or make specific the provisions of this article.

25 (b) The board ~~shall~~ *may* adopt emergency regulations in
26 accordance with the Administrative Procedure Act (Chapter 3.5
27 (commencing with Section 11340) of Part 1 of Division 3 of Title
28 2 of the Government Code) to establish policies, guidelines, and
29 procedures to initially implement this article as it goes into effect
30 on July 1, 2013. The adoption of the regulations shall be considered
31 by the Office of Administrative Law to be necessary for the
32 immediate preservation of the public peace, health and safety, or
33 general welfare. The emergency regulations shall be submitted to
34 the Office of Administrative Law for filing with the Secretary of
35 State in accordance with the Administrative Procedure Act.

36 (c) (1) Notwithstanding any other law, to ensure uninterrupted
37 implementation of this article, the board may adopt or amend
38 regulations consistent with Section 100 of Title 1 of the California
39 Code of Regulations to remove or extend the inoperative date of
40 its regulations in Article 3 (commencing with Section 18) of

1 Division 1 of Title 16 of the California Code of Regulations, or to
2 remove the inoperative dates for the regulations in Article 4
3 (commencing with Section 26) of Division 1 of Title 16 of the
4 California Code of Regulations.

5 (2) Notwithstanding any other law, the Office of Administrative
6 Law shall consider the board's action to remove or extend the
7 inoperative dates of these regulations as a change without
8 regulatory effect as described in Section 100 of Title 1 of the
9 California Code of Regulations that exempts the board from
10 complying with the rulemaking procedure specified in the
11 Administrative Procedure Act (Article 5 (commencing with Section
12 11346) of Chapter 3.5 of Part 1 of Division 3 of Title 2 of the
13 Government Code).

14 ~~SEC. 20. Section 5096.10 of the Business and Professions~~
15 ~~Code is repealed.~~

16 *SEC. 20. Section 5096.10 of the Business and Professions Code*
17 *is amended to read:*

18 5096.10. (a) The provisions of this article shall only be
19 operative if there is an appropriation from the Accountancy Fund
20 in the annual Budget Act to fund the activities in the article and
21 sufficient hiring authority is granted pursuant to a budget change
22 proposal to the board to provide staffing to implement this article.

23 (b) This section shall become operative on January 1, ~~2019~~.
24 2020.

25 SEC. 21. Section 5096.12 of the Business and Professions
26 Code, as amended by Section 5 of Chapter 319 of the Statutes of
27 2013, is amended to read:

28 5096.12. (a) A certified public accounting firm that is
29 authorized to practice in another state and that does not have an
30 office in this state may engage in the practice of public accountancy
31 in this state through the holder of a practice privilege provided
32 that:

33 (1) The practice of public accountancy by the firm is limited to
34 authorized practice by the holder of the practice privilege.

35 (2) A firm that engages in practice under this section is deemed
36 to consent to the personal, subject matter, and disciplinary
37 jurisdiction of the board with respect to any practice under this
38 section.

39 (b) The board may revoke, suspend, issue a fine pursuant to
40 Article 6.5 (commencing with Section 5116), issue a citation and

1 fine pursuant to Section 125.9, or otherwise restrict or discipline
2 the firm for any act that would be grounds for discipline against a
3 holder of a practice privilege through which the firm practices.

4 (c) A firm that provides the services described in subdivision
5 (d) of Section 5096 shall obtain a registration from the board.

6 (d) *This section shall remain in effect only until January 1, 2020,*
7 *and as of that date is repealed.*

8 ~~SEC. 22. Section 5096.12 of the Business and Professions~~
9 ~~Code, as added by Section 36 of Chapter 411 of the Statutes of~~
10 ~~2012, is repealed.~~

11 *SEC. 22. Section 5096.12 of the Business and Professions*
12 *Code, as added by Section 36 of Chapter 411 of the Statutes of*
13 *2012, is amended to read:*

14 5096.12. (a) A certified public accounting firm that is
15 authorized to practice in another state and that does not have an
16 office in this state may engage in the practice of public accountancy
17 in this state through the holder of a practice privilege provided
18 that:

19 (1) The practice of public accountancy by the firm is limited to
20 authorized practice by the holder of the practice privilege.

21 (2) A firm that engages in practice under this section is deemed
22 to consent to the personal, subject matter, and disciplinary
23 jurisdiction of the board with respect to any practice under this
24 section.

25 (b) The board may revoke, suspend, issue a fine pursuant to
26 Article 6.5 (commencing with Section 5116), or otherwise restrict
27 or discipline the firm for any act that would be grounds for
28 discipline against a holder of a practice privilege through which
29 the firm practices.

30 (c) This section shall become operative on January 1, ~~2019.~~
31 ~~2020.~~

32 ~~SEC. 23. Section 5096.13 of the Business and Professions~~
33 ~~Code is repealed.~~

34 ~~SEC. 24. Section 5096.14 of the Business and Professions~~
35 ~~Code is repealed.~~

36 ~~SEC. 25. Section 5096.15 of the Business and Professions~~
37 ~~Code is repealed.~~

38 *SEC. 23. Section 5096.13 of the Business and Professions Code*
39 *is amended to read:*

1 5096.13. (a) The notification of intent to practice under a
2 practice privilege pursuant to Section 5096 shall include the name
3 of the firm, its address and telephone number, and its federal
4 taxpayer identification number.

5 (b) This section shall become operative on January 1, ~~2019~~.
6 2020.

7 *SEC. 24. Section 5096.14 of the Business and Professions Code*
8 *is amended to read:*

9 5096.14. (a) An individual shall not be deemed to be in
10 violation of this article solely because he or she begins the practice
11 of public accounting in California prior to notifying the board as
12 indicated in subdivision (c) of Section 5096, provided the notice
13 is given within five business days of the date practice begins. An
14 individual who properly notifies the board within the five-day
15 period provided for in this section shall be deemed to have a
16 practice privilege from the first day of practice in California unless
17 the individual fails to timely submit the required fee pursuant to
18 subdivision (c) of Section 5096.

19 (b) Subdivision (a) does not apply in those instances in which
20 prior approval by the board is required pursuant to subdivision (g)
21 of Section 5096.

22 (c) In addition to any other applicable sanction, the board may
23 issue a fine pursuant to Section 5096.3 for notifying the board
24 more than five business days after beginning practice in California.

25 (d) This section shall become operative on January 1, ~~2019~~.
26 2020.

27 *SEC. 25. Section 5096.15 of the Business and Professions Code*
28 *is amended to read:*

29 5096.15. (a) It is the intent of the Legislature that the board
30 adopt regulations providing for a lower fee or no fee for out-of-state
31 accountants who do not sign attest reports for California clients
32 under the practice privilege. These regulations shall ensure that
33 the practice privilege program is adequately funded. These
34 regulations shall be adopted as emergency regulations in
35 accordance with Chapter 3.5 (commencing with Section 11340)
36 of Part 1 of Division 3 of Title 2 of the Government Code and, for
37 purposes of that chapter, the adoption of the regulations shall be
38 considered by the Office of Administrative Law to be necessary
39 for the immediate preservation of the public peace, health and
40 safety, and general welfare.

1 (b) This section shall become operative on January 1, ~~2019~~.
2 2020.

3 SEC. 26. Section 5096.20 of the Business and Professions
4 Code is amended to read:

5 5096.20. (a) To ensure that Californians are protected from
6 out-of-state licensees with disqualifying conditions who may
7 unlawfully attempt to practice in this state under a practice
8 privilege, prior to July 1, 2013, the board shall add an out-of-state
9 licensee feature to its license lookup tab of the home page of its
10 Internet Web site that allows consumers to obtain information
11 about an individual whose principal place of business is not in this
12 state and who seeks to exercise a practice privilege in this state,
13 that is at least equal to the information that was available to
14 consumers through its home page prior to January 1, 2013, through
15 the practice privilege form previously filed by out-of-state licensees
16 pursuant to Section 5096, as added by Chapter 921 of the Statutes
17 of 2004, and the regulations adopted thereunder. At minimum,
18 these features shall include all of the following:

19 (1) The ability of the consumer to search by name and state of
20 licensure.

21 (2) The disclosure of information in the possession of the board,
22 which the board is otherwise authorized to publicly disclose, about
23 an individual exercising a practice privilege in this state, including,
24 but not limited to, whether the board has taken action of any form
25 against that individual and, if so, what the action was or is.

26 (3) A disclaimer that the consumer must click through prior to
27 being referred to any other Internet Web site, which in plain
28 language explains that the consumer is being referred to an Internet
29 Web site that is maintained by a regulatory agency or other entity
30 that is not affiliated with the board. This disclaimer shall include
31 a link to relevant sections of this article that set forth disqualifying
32 conditions, including, but not limited to, Section 5096.2.

33 (4) A statement in plain language that notifies consumers that
34 they are permitted to file complaints against such individuals with
35 the board.

36 (5) A link to the Internet Web site or sites that the board
37 determines, in its discretion, provides the consumer the most
38 complete and reliable information available about the individual's
39 status as a licenseholder, permitholder, or certificate holder.

1 (6) If the board of another state does not maintain an Internet
2 Web site that allows a consumer to obtain information about its
3 licensees including, but not limited to, disciplinary history, and
4 that information is not available through a link to an Internet Web
5 site maintained by another entity, a link to contact information for
6 that board, which contains a disclaimer in plain language that
7 explains that the consumer is being referred to a board that does
8 not permit the consumer to obtain information, including, but not
9 limited to, disciplinary history, about individuals through the
10 Internet Web site, and that the out-of-state board is not affiliated
11 with the board.

12 (b) The board shall biennially survey the Internet Web sites and
13 disclosure policies of other boards to ensure that its disclaimers
14 are accurate.

15 (c) *This section shall remain in effect only until January 1, 2020,*
16 *and as of that date is repealed.*

17 SEC. 27. Section 5096.21 of the Business and Professions
18 Code is amended to read:

19 5096.21. (a) (1) On and after January 1, 2016, if the board
20 determines, through a majority vote of the board at a regularly
21 scheduled meeting, that allowing individuals from a particular
22 state to practice in this state pursuant to a practice privilege as
23 described in Section 5096, violates the board's duty to protect the
24 public, pursuant to Section 5000.1, the board shall require, by
25 regulation, out-of-state individuals licensed from that state, as a
26 condition to exercising a practice privilege in this state, to file the
27 notification form and pay the applicable fees as required by ~~former~~
28 ~~Section 5096, as added by Chapter 921 of the Statutes of 2004,~~
29 ~~and regulations adopted thereunder.~~ *Section 5096.22.*

30 (2) The board may adopt emergency regulations, in accordance
31 with the Administrative Procedure Act (Chapter 3.5 (commencing
32 with Section 11340) of Part 1 of Division 3 of Title 2 of the
33 Government Code), to implement this subdivision. The adoption
34 of the regulations shall be deemed an emergency and necessary
35 for the immediate preservation of the public peace, health, safety,
36 or general welfare for purposes of Sections 11346.1 and 11349.6
37 of the Government Code.

38 (b) The board shall, at minimum, consider the following factors
39 in making the determination required by subdivision (a):

1 (1) Whether the state timely and adequately addresses
2 enforcement referrals made by the board to the accountancy
3 regulatory board of that state, or otherwise fails to respond to
4 requests the board deems necessary to meet its obligations under
5 this article.

6 (2) Whether the state makes the disciplinary history of its
7 licensees publicly available through the Internet in a manner that
8 allows the board to adequately link consumers to an Internet Web
9 site to obtain information that was previously made available to
10 consumers about individuals from the state prior to January 1,
11 2013, through the notification form.

12 (3) Whether the state imposes discipline against licensees that
13 is appropriate in light of the nature of the alleged misconduct.

14 (c) Notwithstanding subdivision (a), if (1) the National
15 Association of State Boards of Accountancy (NASBA) adopts
16 enforcement best practices guidelines, (2) the board, upon a
17 majority vote at a regularly scheduled board meeting, issues a
18 finding after a public hearing that those practices meet or exceed
19 the board's own enforcement practices, (3) a state has in place and
20 is operating pursuant to enforcement practices substantially
21 equivalent to the best practices guidelines, and (4) disciplinary
22 history of a state's licensees is publicly available through the
23 Internet in a manner that allows the board to link consumers to an
24 Internet Web site to obtain information at least equal to the
25 information that was previously available to consumers through
26 the practice privilege form filed by out-of-state licensees pursuant
27 to former Section 5096, as added by Chapter 921 of the Statutes
28 of 2004, no practice privilege form shall be required to be filed by
29 any licensee of that state as required by subdivision (a), nor shall
30 the board be required to report on that state to the Legislature as
31 required by subdivision (d).

32 (d) (1) The board shall report to the relevant policy committees
33 of the Legislature, the director, and the public, upon request,
34 preliminary determinations made pursuant to this section no later
35 than July 1, 2015. The board shall, prior to January 1, 2016, and
36 thereafter as it deems appropriate, review its determinations made
37 pursuant to subdivision (b) to ensure that it is in compliance with
38 this section.

39 (2) This subdivision shall become inoperative on July 1, 2017,
40 pursuant to Section 10231.5 of the Government Code.

1 (e) On or before July 1, 2014, the board shall convene a
2 stakeholder group consisting of members of the board, board
3 enforcement staff, and representatives of the accounting profession
4 and consumer representatives to consider whether the provisions
5 of this article are consistent with the board's duty to protect the
6 public consistent with Section 5000.1, and whether the provisions
7 of this article satisfy the objectives of stakeholders of the
8 accounting profession in this state, including consumers. The
9 group, at its first meeting, shall adopt policies and procedures
10 relative to how it will conduct its business, including, but not
11 limited to, policies and procedures addressing periodic reporting
12 of its findings to the board.

13 (f) On or before January 1, 2018, the board shall prepare a report
14 to be provided to the relevant policy committees of the Legislature,
15 the director, and the public, upon request, that, at minimum,
16 explains in detail all of the following:

17 (1) How the board has implemented this article and whether
18 implementation is complete.

19 (2) Whether this article is, in the opinion of the board, more,
20 less, or equivalent in the protection it affords the public than its
21 predecessor article.

22 (3) Describes how other state boards of accountancy have
23 addressed referrals to those boards from the board, the timeframe
24 in which those referrals were addressed, and the outcome of
25 investigations conducted by those boards.

26 (g) *This section shall remain in effect only until January 1, 2020,*
27 *and as of that date is repealed.*

28 SEC. 28. *Section 5096.22 is added to the Business and*
29 *Professions Code, to read:*

30 5096.22. (a) *An individual whose principal place of business*
31 *in a state subject to a regulation adopted by the board pursuant*
32 *to Section 5096.21 shall do both of the following:*

33 (1) *Prior to practicing, submit a notification form to the board*
34 *in a manner prescribed by board regulation.*

35 (2) *Pay a fee equal to the reasonable administrative costs, as*
36 *established by the board.*

37 (b) *Except as otherwise provided by this article or by board*
38 *regulation, a practice privilege subject to this section shall*
39 *commence when the individual submits a properly completed*
40 *notification form to the board, provided that the fee is received by*

1 the board within 30 days of that date. The board shall permit the
2 notification to be provided electronically.

3 (c) An individual shall not be deemed to be in violation of this
4 section solely because he or she begins the practice of public
5 accounting in California prior to notifying the board as indicated
6 in subdivision (a), provided the notice is given within five business
7 days of the date practice begins. An individual who properly
8 notifies the board within the five-day period provided for in this
9 subdivision shall be deemed to have a practice privilege from the
10 first day of practice in California unless the individual fails to
11 timely submit the required fee. Failure to comply with this section
12 means that the individual is practicing public accountancy
13 unlawfully in this state and is in violation of Section 5120. In
14 addition to any other available remedy, the board may issue a fine
15 equal to reasonable enforcement costs if an individual notifies the
16 board more than five business days after beginning practice in
17 California.

18 (d) This section shall remain in effect only until January 1, 2020,
19 and as of that date is repealed.

20 SEC. 29. No reimbursement is required by this act pursuant
21 to Section 6 of Article XIII B of the California Constitution because
22 the only costs that may be incurred by a local agency or school
23 district will be incurred because this act creates a new crime or
24 infraction, eliminates a crime or infraction, or changes the penalty
25 for a crime or infraction, within the meaning of Section 17556 of
26 the Government Code, or changes the definition of a crime within
27 the meaning of Section 6 of Article XIII B of the California
28 Constitution.



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Attachment 2

Business and Professions Code Section 5096.21(a)

5096.21.

(a) (1) On and after January 1, 2016, if the board determines, through a majority vote of the board at a regularly scheduled meeting, that allowing individuals from a particular state to practice in this state pursuant to a practice privilege as described in Section 5096, violates the board's duty to protect the public, pursuant to Section 5000.1, the board shall require, by regulation, out-of-state individuals licensed from that state, as a condition to exercising a practice privilege in this state, to file the notification form and pay the applicable fees as required by former Section 5096, as added by Chapter 921 of the Statutes of 2004, and regulations adopted thereunder.

(2) The board may adopt emergency regulations, in accordance with the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), to implement this subdivision. The adoption of the regulations shall be deemed an emergency and necessary for the immediate preservation of the public peace, health, safety, or general welfare for purposes of Sections 11346.1 and 11349.6 of the Government Code.



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Attachment 3

Business and Professions Code Sections 5096(d) and 5096.14

5096 (Version to be repealed on January 1, 2019)

(d) Except as otherwise provided by this article or by board regulation, the practice privilege commences when the individual notifies the board, provided the fee is received by the board within 30 days of that date. The board shall permit the notification to be provided electronically.

5096.14

(a) An individual shall not be deemed to be in violation of this article solely because he or she begins the practice of public accounting in California prior to notifying the board as indicated in subdivision (c) of Section 5096, provided the notice is given within five business days of the date practice begins. An individual who properly notifies the board within the five-day period provided for in this section shall be deemed to have a practice privilege from the first day of practice in California unless the individual fails to timely submit the required fee pursuant to subdivision (c) of Section 5096.

(b) Subdivision (a) does not apply in those instances in which prior approval by the board is required pursuant to subdivision (g) of Section 5096.

(c) In addition to any other applicable sanction, the board may issue a fine pursuant to Section 5096.3 for notifying the board more than five business days after beginning practice in California.

(d) This section shall become operative on January 1, 2019.



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January 3, 2018

Senator Cathleen Galgiani
California State Senate
State Capitol, Room 5097
Sacramento, CA 95814

RE: SB 795 (Galgiani) – Continuation of Current CPA Mobility Program

SUPPORT

Dear Senator Galgiani,

On behalf of the 44,000 members of the California Society of CPAs representing the CPA profession working in large, medium and small public accounting firms; as well as businesses and industries throughout California, we are writing to thank you for authoring SB 795. This bill is the culmination of years of work by the California Board of Accountancy (CBA) and other stakeholders to successfully implement the current CPA mobility program and thoroughly assess the impact of the provision on consumers and CPAs. Specifically, SB 795 would make the current mobility program permanent by removing the January 1, 2019 sunset date.

The mobility program, which was established by SB 1405 (Chapter 411 of 2012 Statutes), conformed California's CPA practice privilege provisions to those of the rest of the nation and eased the burdens of interstate practice for CPAs. Since businesses, taxpayers, and other clients of CPAs are financially and geographically diverse, the practice of CPAs regularly extends across state lines in order to support the needs of clients. The streamlined mobility process allows CPAs to serve clients across state lines without costly delays and allows a CPA to assist clients in a timely and efficient manner.

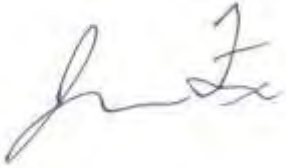
Consumer protection components are also embedded into the program. Only CPAs licensed by states with substantially equivalent licensing requirements and enforcement standards are allowed to provide services to their clients in California under the mobility program. The program requires firms providing audits, reviews and compilations to entities headquartered in California to register with the CBA. Additionally, all out-of-state CPAs providing any services in California are subject to full disciplinary authority of the CBA.

The enacting statute also included a sunset date and a requirement for the CBA to evaluate the program before making it permanent. This evaluation is detailed in the CBA's report, *California's Mobility Program for Accountancy – Implementation, Enforcement and its Consumer Benefits*. The report highlights the steps taken by the CBA to implement the mobility program including efforts to significantly increase consumer access to licensee information online. The most substantial aspect of the CBA's work is the detailed process by which the CBA reviewed and made a determination that the enforcement practices of all other licensing jurisdictions meet, or exceed, the CBA's own enforcement practices. Upon completion of their evaluation, the CBA's final determination concluded that the mobility program is "at a minimum, equivalent to and in many respects exceeds the protection afforded to the public under the prior practice privilege provisions."

Making the CPA mobility program permanent allows CPAs to continue to serve a wide spectrum of businesses and individuals working in a borderless economy as efficiently and effectively as possible, while also maintaining seamless, uniform consumer protection.

For the CPA profession, and the taxpayers they serve, thank you for your attention to this important issue and please do not hesitate to contact us should you have any questions.

Sincerely,

A handwritten signature in dark ink, appearing to read 'J. Fox', is positioned above the typed name.

Jason Fox
Director, Government Relations

cc: Members, Senate Committee on Business and Professions
 Bill Gage, Chief Consultant, Senate Committee on Business and Professions
 Elissa Silva, Consultant, Senate Committee on Business and Professions
 Kayla Williams, Policy Consultant, Senate Republican Caucus
 Michael Savoy, CPA, President of the California Board of Accountancy
 Jose Campos, CPA, Chair of the California Board of Accountancy Mobility Stakeholder Group
 Patti Bowers, Executive Officer of the California Board of Accountancy



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LC Item III.

January 18, 2018

CBA Item VIII.A.4.

January 18, 2018

California Board of Accountancy 2017/18 Legislative Tracking Chart

<u>Bill#</u>	<u>Author</u>	<u>Topic</u>	<u>Version</u>	<u>Board Position</u>	<u>Location/Status</u>
AB 703	Flora	Professions and Vocations: licenses: fee waivers	2/15/17	Support	Assembly Business and Professions (B&P) Committee
AB 710	Wood	Department of Consumer Affairs: boards: meetings	4/27/17	Watch	Senate B&P Committee
AB 767	Quirk-Silva	Master Business License Act	5/3/17	Watch w/letter	Assembly Appropriations Committee
AB 912	Obernolte	Small business: California Small Business Regulatory Fairness Act	4/19/17	Watch w/letter	Assembly Appropriations Committee
AB 1005	Calderon	Professions and vocations: fines: relief	5/2/17	Support if amended	Assembly Appropriations Committee
SB 27	Morrell	Professions and vocations: licenses: military service	4/17/17	Support	Senate Appropriations Committee
SB 247	Moorlach	Professions and vocations: license requirement: business: surety bond requirement.	4/17/17	Oppose	Senate B&P Committee

California Board of Accountancy 2017/18 Legislative Tracking Chart

Page 2 of 2

<u>Bill#</u>	<u>Author</u>	<u>Topic</u>	<u>Version</u>	<u>Board Position</u>	<u>Location/Status</u>
SB 715	Newman	Department of Consumer Affairs: regulatory boards: removal of board members	4/25/17	Support	Assembly Floor: Inactive File
SB 795	Galgiani	Accountancy: practice privileges	2/17/17	Watch	Senate B&P Committee



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LC Item IV.
January 18, 2018

CBA Item VIII.A.5.
January 18, 2018

Update on Previously Approved Legislative Proposals Deleting Outdated Language for Attest Services Requirements, Certified Copies of Records of the Disciplinary or Other Actions Taken Against a Licensee as Conclusive Evidence for Purposes of Determining Discipline, and Updating Terminology Regarding Application Forms

Presented by: Nooshin Movassaghi, Legislative Analyst

Purpose of the Item

The purpose of this item is to provide the California Board of Accountancy (CBA) with information regarding proposed language for inclusion in the Senate Committee on Business, Professions and Economic Development's (B&P) annual omnibus bill.

Consumer Protection Objectives

These proposals will protect consumers by ensuring the law is accurate and current.

Action(s) Needed

These proposals were previously approved by the CBA and do not require specific action. This item provides information to the new Legislative Committee (LC) membership regarding omnibus proposals submitted to the Legislature in early January.

Background

Every year, typically in December, the Senate B&P, requests that all Department of Consumer Affairs (DCA) boards and bureaus submit ideas for inclusion in its annual omnibus legislation. Omnibus legislation, contrary to most bills presented before the Legislature, proposes a mix of changes to a variety of existing statutes or subjects in one bill. Proposals included in the omnibus bill must not be controversial or contain new programs.

Comments

At its November 2017 meeting, the CBA approved the following three proposals:

The first proposal (**Attachment 1**) involves BPC 5095, which establishes the attest experience requirement for Certified Public Accountant (CPA) licensure applicants who wish to be licensed with the authority to sign reports on attest engagements. Subsection 5095(c) contains language that is no longer relevant. Specifically, it states,

Update on Previously Approved Legislative Proposals Deleting Outdated Language for Attest Services Requirements, Certified Copies of Records of the Disciplinary or Other Actions Taken Against a Licensee as Conclusive Evidence for Purposes of Determining Discipline, and Updating Terminology Regarding Application Forms

Page 2 of 2

“An individual who qualified for licensure by meeting the requirements of Section 5083 shall be deemed to have satisfied the requirements of this section.” BPC section 5083 was removed from the Accountancy Act as it pertained to experience requirements for CPA licensure that existed prior to January 1, 2010.

The second proposal (**Attachment 2**) involves BPC section 5100 which states that the findings or events of an agency included in a certified or true and correct copy of the disciplinary or other action taken against a licensee shall be considered by the CBA as conclusive evidence.

The third proposal (**Attachment 3**) involves BPC section 5130, which requires the CBA to collect a fee from CPA applicants and states, “The board shall charge and collect a fee from each applicant for the certificate of certified public accountant. The fee shall accompany the application which must be made on a blank provided by the board.” In order to add clarity and uniformity staff is requesting to amend the word “blank” to “form.”

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachments

1. Proposed Amendments to BPC section 5095(c) – Providing Attest Service
2. Proposed Amendments to BPC section 5100 – Discipline in General
3. Proposed Amendments to BPC section 5130 – Application Fee



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Attachment 1

Proposed Amendments to Business and Professions Code Section 5095 – Providing Attest Services

5095.

(a) To be authorized to sign reports on attest engagements, a licensee shall complete a minimum of 500 hours of experience, satisfactory to the board, in attest services.

(b) To qualify under this section, attest experience shall have been performed in accordance with applicable professional standards. Experience in public accounting shall be completed under the supervision or in the employ of a person licensed or otherwise having comparable authority under the laws of any state or country to engage in the practice of public accountancy and provide attest services, and this experience shall be verified. Experience in private or governmental accounting or auditing shall be completed under the supervision of an individual licensed by a state to engage in the practice of public accountancy and perform attest services, and this experience shall be verified. An applicant may be required to present work papers or other evidence substantiating that the applicant has met the requirements of this section and any applicable regulations.

~~(c) An individual who qualified for licensure by meeting the requirements of Section 5083 shall be deemed to have satisfied the requirements of this section.~~

~~(c)(d)~~ The board shall adopt regulations to implement this section, including, but not limited to, a procedure for applicants under Section 5092 or Section 5093 to qualify under this section.



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Attachment 2

Proposed Amendments to Business and Professions Code Section 5100 – Discipline in General

5100

After notice and hearing the board may revoke, suspend, or refuse to renew any permit or certificate granted under Article 4 (commencing with Section 5070) and Article 5 (commencing with Section 5080), or may censure the holder of that permit or certificate for unprofessional conduct that includes, but is not limited to, one or any combination of the following causes:

- (a) Conviction of any crime substantially related to the qualifications, functions and duties of a certified public accountant or a public accountant.
- (b) A violation of Section 478, 498, or 499 dealing with false statements or omissions in the application for a license, in obtaining a certificate as a certified public accountant, in obtaining registration under this chapter, or in obtaining a permit to practice public accountancy under this chapter.
- (c) Dishonesty, fraud, gross negligence, or repeated negligent acts committed in the same or different engagements, for the same or different clients, or any combination of engagements or clients, each resulting in a violation of applicable professional standards that indicate a lack of competency in the practice of public accountancy or in the performance of the bookkeeping operations described in Section 5052.
- (d) Cancellation, revocation, or suspension of a certificate or other authority to practice as a certified public accountant or a public accountant, refusal to renew the certificate or other authority to practice as a certified public accountant or a public accountant, or any other discipline by any other state or foreign country.
- (e) Violation of Section 5097.
- (f) Violation of Section 5120.
- (g) Willful violation of this chapter or any rule or regulation promulgated by the board under the authority granted under this chapter.
- (h) Suspension or revocation of the right to practice before any governmental body or agency.
- (i) Fiscal dishonesty or breach of fiduciary responsibility of any kind.
- (j) Knowing preparation, publication, or dissemination of false, fraudulent, or materially misleading financial statements, reports, or information.

(k) Embezzlement, theft, misappropriation of funds or property, or obtaining money, property, or other valuable consideration by fraudulent means or false pretenses.

(l) The imposition of any discipline, penalty, or sanction on a registered public accounting firm or any associated person of such firm, or both, or on any other holder of a permit, certificate, license, or other authority to practice in this state, by the Public Company Accounting Oversight Board or the United States Securities and Exchange Commission, or their designees under the Sarbanes-Oxley Act of 2002 or other federal legislation.

(m) Unlawfully engaging in the practice of public accountancy in another state.

In causes for discipline against a licensee under subsections (d), (h), and (l), the board shall rely on the findings or events stated in a certified or true and correct copy of the disciplinary or other action as conclusive evidence for the purposes of determining discipline.

(Amended by Stats. 2004, Ch. 921, Sec. 12. Effective January 1, 2005.)



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Attachment 3

Proposed Amendments to Business and Professions Code Section 5130 – Application Fee

5130.

The board shall charge and collect a fee from each applicant for the certificate of certified public accountant. The fee shall accompany the application which must be made on a blank form provided by the board.



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CPC Item II
January 18, 2018

CBA Item VIII.B.2.
January 18, 2018

**Discussion Regarding the National Association of State Boards of Accountancy
Release of the Final Version of the Model Rules for Continuing Professional
Education, Article Three and Possible Changes to Title 16, California Code of
Regulations, Sections 80-94, Continuing Education Rules**

Presented by: Gina Sanchez, Chief, Licensing Division

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with the National Association of State Boards of Accountancy (NASBA) recently adopted changes to the Model Rules for Continuing Professional Education, Article Three (*Rules*) (**Attachment 1**).

Consumer Protection Objectives

The adopted *Rules* define continuing education (CE) ¹ requirements, which allow licensees to maintain a currency of knowledge, and assist licensees in the maintenance of their license, thereby upholding the CBA's mission to protect consumers.

Action(s) Needed

No specific action is required on this agenda item unless the CBA decides to adopt any of the proposed *Rules* into CBA Regulations.

Background

In January 2017, the NASBA Board of Directors issued proposed changes to the *Rules* that addressed CE requirements. Unlike the Standards for Continuing Professional Education Programs (*Standards*), which are directed to course sponsors, the *Rules* are directed towards licensees. The *Rules* work in conjunction with the *Standards* and act as guidelines for state boards of accountancy. The *Rules* were reviewed and revised due to increased interest in the development of uniformity in rules and requirements for CE among the jurisdictions. The public comment period for the *Rules* ended June 30, 2017.

At its March 2017 meeting, the CBA was presented with information regarding the most significant of the proposed changes to the *Rules* and its comparison to CBA

¹ The CBA refers to education received from providers as continuing education (CE). However, NASBA refers to education as continuing professional education (CPE).

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Regulations. NASBA approved the proposed revisions at its October 27, 2017, Board of Directors meeting.

California is unique from most other states in that, rather than pre-approve CE providers or programs, the CBA requires licensees to select appropriate programs from CE providers that conform to the minimum program requirements outlined in Article 12, sections 80 – 94, of the CBA Regulations. The only exception is the two-hour Board-approved Regulatory Review course that licensees are required to complete once every six years. Although many of the CE program requirements outlined in Article 12 of the CBA Regulations mirror the *Rules*, the CBA maintains independence in the establishment of minimum program requirements for acceptable CE in California.

Comments

The adopted *Rules* are considerably more detailed than past editions and now clearly identify minimum annual CE requirements and two new delivery methods. The *Rules* require licensees to complete 50 percent of the required CE in technical subject areas and four hours of ethics for licensees renewing biennially. These requirements have already been established in CBA Regulations. Additionally, the *Rules* include presentation, measurement and reporting requirements for nano learning and blended learning delivery methods. The CBA has already initiated the rulemaking process in order to implement these two delivery methods.

The following information will provide the CBA with a breakdown of the relevant changes to the *Rules*, a comparison to the existing CBA Regulations, and details on what would be necessary to adopt or amend CBA Regulations.

Technical Fields of Study (Rule 3-8, page 1)

Rule 3-8 was not previously defined and is added to provide clarification of technical subjects that contribute to the competence of a CPA in the profession of accountancy and that directly relate to the CPA's field of business. The *Rules* list technical fields of study as: accounting, accounting (government), auditing, auditing (government), business law, economics, finance, information technology, management services, regulatory ethics, specialized knowledge, statistics, and taxes, but is not limited to the identified fields.

Non-Technical Fields of Study (Rule 3-9, page 2)

Rule 3-9 is added to identify subjects that contribute to the competence of a CPA in areas that indirectly relate to the CPA's field of business and are referred to as non-technical fields of study. The subjects include: behavioral ethics, business management and organization, communications and marketing, computer software and applications, personal development, personnel/human resources, and production.

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CBA comparison:

In relation to Rule 3-8, CBA Regulations section 87(a)(2) (**Attachment 2**) identifies technical subject areas as: accounting, auditing, fraud, taxation, consulting, financial planning, ethics as defined in section 87(b), regulatory review, computer and information technology, and specialized industry or government practices that focus primarily upon the maintenance and/or enhancement of the public accounting skills and knowledge needed to competently practice public accounting. However, business law, economics, management services and statistics are not specifically identified in CBA Regulations. Additionally, the *Rules* identify ethics in two categories, regulatory ethics (technical) and behavioral ethics (non-technical).

In relation to Rule 3-9, CBA Regulations section 87(a)(3) (**Attachment 2**) identifies non-technical subject areas as: communication skills, word processing, sales, marketing, motivational techniques, negotiation skills, office management, practice management, and personnel management. However, behavioral ethics, personal development, and production are not identified as non-technical subject areas in CBA Regulations.

Should the CBA wish to implement or modify these rules, it would need to direct staff to bring regulatory language to a future meeting to amend CBA Regulations sections 87(a)(2) and (a)(3) to include these additional technical and non-technical subject areas.

If the CBA wishes to maintain status quo or revisit at a later date, no action is required.

CE Requirements for Renewal of the Certificate or Registration (Rule 6-4, pages 2-4)

Rule 6-4 (b) has been expanded to include specifics for an individual who obtains a certificate, registration or license for the first time. A new licensee must complete at least 40 hours of CE during the first full annual period following the year in which the original certificate, registration or license was obtained.

CBA comparison:

In relation to Rule 6-4 (b), CBA Regulations section 87.1 (**Attachment 3**) requires a new licensee to complete a minimum of 20 hours of CE for each full six-month period from the date the initial license was issued to the first license expiration date. As such, CBA Regulations require new licensees to complete more CE than stipulated in the rule.

Should the CBA wish to implement or modify this rule, it would need to direct staff to bring regulatory language to a future meeting to amend CBA Regulations section 87.1 to require CE for new licensees be assessed within a full annual period rather than a six-month period.

If the CBA wishes to maintain status quo or revisit at a later date, no action is required.

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Continuing Professional Education Records (Rule 6-6, pages 6-7)

Rule 6-6 (a)(1)(f) *and* Rule 6-6 (a)(1)(g) specify that the maximum credit allowed for technical review of CE programs and writing published articles, books and other publications cannot exceed 50 percent of the total CE hours required for the reporting period.

CBA comparison:

In relation to Rules 6-6 (a)(1)(f) and (a)(1)(g), CBA Regulations section 88(h) (**Attachment 4**) stipulates that the maximum credit allowed for technical review of CE programs and writing published articles, books and other publications shall not exceed 25 percent of the CE required for the renewal reporting period.

Should the CBA wish to implement or modify this rule, it would need to direct staff to bring regulatory language to a future meeting to amend CBA Regulations section 88(h) to increase the allowable CE credit for these activities.

If the CBA wishes to maintain status quo or revisit at a later date, no action is required.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this item. However, should the CBA wish to implement or modify any of the *Rules*, it is requested that the CBA provide staff specific guidance on each of the proposed rules for the initiation of the rulemaking process to be brought back at a future meeting. If the CBA wishes to maintain status quo or revisit any of the *Rules*, no action is required.

Attachments

1. Model Rules for Continuing Professional Education, Article Three
2. California Board of Accountancy Regulations section 87
3. California Board of Accountancy Regulations section 87.1
4. California Board of Accountancy Regulations section 88

Model Rules for Continuing Professional Education (CPE) - Approved 10/27/17**ARTICLE 3 – DEFINITIONS****Rule 3-4 – Continuing Professional Education (CPE).**

Continuing Professional Education (CPE) is an integral part of the lifelong learning required to provide competent service to the public. It is the set of activities that enables CPAs to maintain or improve their professional competence.

Rule 3-5 - CPE reporting period.

A “CPE reporting period” is the period of time as to which a licensee in this State must report or attest to the completion of CPE requirements to the Board of Accountancy.

Rule 3-6 - Subject matter expert.

A “subject matter expert” is a person who is an authority in a particular area or topic. A subject matter expert is involved in developing CPE materials where knowledge expertise is needed.

Rule 3-7 - Technical committee.

A “technical committee” is a committee that serves as a resource to identify issues regarding the practice of accountancy and develop technical or policy recommendations on those issues.

Rule 3-8 - Technical fields of study.

“Technical fields of study” are technical subjects that contribute to the maintenance and/or improvement of the competence of a CPA in the profession of accountancy and that directly relate to the CPA’s field of business. These fields of study include, but are not limited to:

- (a) Accounting;
- (b) Accounting (Government);
- (c) Auditing;
- (d) Auditing (Government);
- (e) Business Law;
- (f) Economics;
- (g) Finance;
- (h) Information Technology;
- (i) Management Services;
- (j) Regulatory Ethics;
- (k) Specialized Knowledge;
- (l) Statistics; and
- (m) Taxes.

Commentary: The technical subjects are further defined in the “Fields of Study” document, as published on NASBA’s website, www.nasbaregistry.org, and included in the “Statement on Standards for Continuing Professional Education (CPE) Programs,” appended to the Uniform Accountancy Act. The “Fields of Study” document provides descriptions of each technical subject area and examples of the types of topics that might be included in each area.

Rule 3-9 - Non-technical fields of study.

“Non-technical fields of study” are subjects that contribute to the maintenance and/or improvement of the competence of a CPA in areas that indirectly relate to the CPA’s field of business. These fields of study include, but are not limited to:

- (a) Behavioral Ethics;
- (b) Business Management & Organization;
- (c) Communications and Marketing;
- (d) Computer Software & Applications;
- (e) Personal Development;
- (f) Personnel/Human Resources; and
- (g) Production.

Commentary: The non-technical subjects are further defined in the “Fields of Study” document, as published on NASBA’s website, www.nasbaregistry.org, and included in the “Statement on Standards for Continuing Professional Education (CPE) Programs,” appended to the Uniform Accountancy Act. The “Fields of Study” document provides descriptions of each non-technical subject area and examples of the types of topics that might be included in each area.

ARTICLE 6 – ISSUANCE OF CERTIFICATES AND RENEWAL OF CERTIFICATES AND REGISTRATIONS, CONTINUING PROFESSIONAL EDUCATION AND RECIPROCITY**Rule 6-1 - Applications.**

No proposed change to current rule. Not within scope of project.

Rule 6-2 – Experience required for initial certificate.

No proposed change to current rule. Not within scope of project.

Rule 6-3 – Evidence of applicant’s experience.

No proposed change to current rule. Not within scope of project.

Rule 6-4 – CPE requirements for renewal or reactivation of a certificate, license or registration.

The following requirements of CPE apply to the renewal or reactivation of certificates, licenses and registrations pursuant to Section 6(d) of the Act.

- (a) A person who obtains a certificate, license or registration for the first time shall complete at least forty (40) credits of acceptable CPE during the first full annual period following the year in which the original certificate, license or registration was obtained. There is no provision for carry-over from an annual period in which CPE was not required.
- (b) An applicant seeking renewal of a certificate, license or registration from a Board shall assert in a manner acceptable to the Board, that the applicant for renewal meets all of the following CPE requirements:
 - (1) Completion of a minimum of twenty (20) CPE credits during each annual period included in the CPE reporting period.

- (2) Completion of a minimum of an average of no fewer than forty (40) CPE credits for each annual period included within the CPE reporting period.
- (3) Completion of an average of two (2) ethics CPE credits for each annual period included within the CPE reporting period.
- (4) Completion of a minimum of fifty percent (50%) of the total CPE credits required for the CPE reporting period in technical fields of study. Qualifying subject areas for CPE are categorized as either technical or non-technical fields of study as set forth in Rules 3-8 and 3-9 above. Subjects other than technical and non-technical fields of study may be acceptable for CPE if the licensee can demonstrate to the satisfaction of the Board that such subjects or specific programs contribute to the maintenance and/or improvement of the licensee's professional competence.

Commentary: The following chart sets forth the CPE requirements detailed in Rule 6-4(b)(1)-(4) above.

CPE Reporting Period	Total CPE credits required per reporting period	Minimum CPE credits required in each annual period in the reporting period	Qualifying ethics credits required per CPE reporting period	Minimum CPE credits in reporting period in technical subject areas
Annual (1 year)	40	40	2	20
Biennial (2 years)	80	20	4	40
Triennial (3 years)	120	20	6	60

- (c) An applicant whose certificate, license or registration has been lapsed, revoked or suspended for fewer than five (5) years may, at the Board's discretion, complete qualifying CPE that averages no fewer than forty (40) credits of qualified CPE, for each annual period included in the CPE reporting period preceding the date of reapplication, not to exceed a total of one hundred twenty (120) credits. An applicant whose certificate, license, or registration has lapsed or has been suspended or revoked may at the Board's discretion be required to identify and complete a program of learning designed to demonstrate the currency of the licensee's competencies directly related to his or her area of practice.
- (d) Licensees granted inactive or retired status for fewer than five (5) years by the Board may discontinue use of the word "inactive" or "retired" in association with their license upon showing that they have completed qualifying CPE that averages no fewer than forty (40) credits of qualified CPE for each annual period included in the CPE reporting period preceding the request to discontinue use of the word "inactive" or "retired," not to exceed a total of one hundred twenty (120) credits.
- (e) For a certificate, license or registration that has been lapsed, suspended or revoked, inactive or retired for a period of five (5) years or more, the Board has the discretion to determine the number and type of CPE credits as a requirement for reinstatement.

- (f) Upon request by the Board, the applicant for renewal shall provide proof of completion or other evidence acceptable to the Board that supports the assertion by the applicant that the applicant has met the CPE renewal requirements. If the Board so requests, the applicant shall also submit an explanation of how any portion of CPE credits for renewal questioned by the Board relate to the applicant's continuing professional competence.

Rule 6-5 –Activities qualifying for CPE credit.

CPE activities are learning opportunities that contribute directly to a licensee's knowledge, ability and/or competence to perform his or her professional responsibilities. CPE activities should address the licensee's current and future work environment, current knowledge and skills and desired or needed knowledge and skills to meet future opportunities and/or professional responsibilities.

- (a) The following learning activities shall qualify for CPE credit:
 - (1) A learning activity that complies with the Statement on Standards for Continuing Professional Education (CPE) Programs, issued jointly by the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA), and is coordinated and presented by a qualifying CPE program sponsor as set forth below in Rule 6-5 (b). The sources of qualifying learning activities include but are not limited to the following:
 - (A) Group Programs;
 - (B) Self-Study Programs;
 - (C) Blended Learning Programs;
 - (D) Nano-Learning Programs;
 - (E) Instructor/Developer of CPE programs in (A) through (D) above or in (2) and (4) below;
 - (F) Technical Reviewer of CPE programs in (A) through (D) above or in (2) and (4) below; and
 - (G) Independent Study.

Commentary: The sources of qualified learning activities, including independent study, are fully defined in the Statement on Standards for Continuing Professional Education (CPE) Programs.

- (2) A college or university course that is coordinated and presented by a qualifying university or college as set forth in Rule 6-5 (b)(2) below in a technical or nontechnical field of study; No CPE credit shall be permitted for attending or instructing college or university courses considered to be basic or introductory accounting courses or CPA exam preparation/review courses.
- (3) Authorship of published articles, books and other publications relevant to maintaining or improving professional competence.
- (4) A group learning activity that is coordinated and presented by a person, firm, association, corporation or group, other than a qualifying CPE program sponsor as defined in Rule 6-5 (b) below. These programs are generally related to topics of the specialized knowledge field of study by persons or organizations with expertise in these specialized industries.

Commentary: The purpose of Rule 6-5(a)(4) is to permit a learning activity related to specialized industries to satisfy requirements for CPE. The focus is on conferences or learning events that are in specialized industries, such as oil and gas or gaming. The conference or learning event provides critical information and knowledge specific to the operations of specialized industries that is necessary for those providing professional services in those industries. However, these conferences and learning events may not be designed to adhere to the State's CPE program requirements. Therefore, the CPE credits earned from specialized industry learning activities are limited to no more than twenty-five percent (25%) of the total qualifying CPE credits for the CPE reporting period per Rule 6-6(a)(I).

- (5) Participation and work on a technical committee of an international, national or state professional association, council or member organization, or a governmental entity that supports professional services or industries that require unique and specific knowledge in technical fields of study.
- (b) The following are deemed to be qualifying CPE program sponsors provided they offer activities which comply with the Statement on Standards for CPE Programs:
 - (1) Persons, firms, associations, corporations or other groups that are members of NASBA's National Registry of CPE Sponsors;
 - (2) Recognized national and state professional accounting associations and their local affiliates that are approved by the Board;
 - (3) Universities or colleges accredited at the time the CPE program was delivered by virtue of accreditation by an organization recognized by the Council for Higher Education Accreditation as a specialized, professional, or regional accrediting organization; and
 - (4) Persons, firms, associations, corporations or other groups that are approved by the Board.
- (c) Acceptable evidence for completion of qualifying learning activities shall include the following:
 - (1) For programs or courses as set forth in Rule 6-5 (a) (1) and (2), acceptable evidence should include a certificate of completion or transcript issued by the qualifying CPE program sponsor.
 - (2) For activities set forth in Rule 6-5 (a) (3), acceptable evidence may include a copy of the publication that names the licensee as author or contributor; a statement from the licensee supporting the number of CPE credits claimed; and the name and contact information of the independent reviewer(s) or publisher.
 - (3) For programs or courses as set forth in Rule 6-5 (a) (4), acceptable evidence may include a certificate of attendance or other verification supplied by the program sponsor. If a certificate of attendance or other verification is not available, then acceptable evidence shall include copies of the course agenda, program materials, or other documents attributable to the learning activity.
 - (4) For activities set forth in Rule 6-5 (a) (5), acceptable evidence shall include a written certificate of the licensee setting forth all of the following:
 - (A) The nature of the activity (e.g., topic or specific new competency acquired), the items discussed and the source/materials considered.
 - (B) The dates on which the learning activity occurred.
 - (C) The number of CPE credits attributed to the learning activity.

- (D) Details of the relevance of the learning activity to the participant's current or future professional development.

Rule 6-6 – Continuing professional education records.

(a) Computation of CPE credits.

Each approved CPE course, program, or activity shall be measured by program length, with one 50- minute period equal to one CPE credit.

(1) Computation of CPE credits for qualifying CPE programs shall be as follows:

- (A) Group programs, independent study and blended learning programs – A minimum of one credit must be earned initially, but after the first credit has been earned, credits may be earned in one-fifth or one-half increments.
- (B) Self-study – A minimum of one-half credit must be earned initially, but after the first credit has been earned, credits may be earned in one-fifth or one-half increments.
- (C) Nano-learning – The credit to be earned for a single nano-learning program is one fifth credit.
- (D) For blended learning programs included in Rule 6-5 (a)(1)(C), CPE credit must equal the sum of the CPE credit determination for the various completed components of the program.
- (E) An instructor/developer of qualifying CPE programs included in Rule 6-5 (a) (1) (A) through (D) may receive CPE credit for actual preparation time up to two times the number of CPE credits to which participants would be entitled, in addition to the time for presentation. For repeat presentations, CPE credit can be claimed only if it can be demonstrated that the learning activity content was substantially changed and such change required significant additional study or research. Not more than fifty percent (50%) of the total CPE credits required for the CPE reporting period can be claimed for instructor/developer CPE credit.
- (F) A technical reviewer of qualifying CPE programs included in Rule 6-5 (a) (1) (A) through (D) may receive CPE credit for actual review time up to the actual number of CPE credits for the learning activity. For repeat technical reviews, CPE credit can be claimed only if it can be demonstrated that the learning activity content was substantially changed and such change required significant additional study or research. Not more than fifty percent (50%) of the total CPE credits required for the CPE reporting period can be claimed for technical reviewer CPE credit.
- (G) Authors of published articles, books and other publications may receive CPE credit for their research and writing time to the extent it maintains or improves their professional competence. For the author to receive CPE credit, the article, book or CPE program must be formally reviewed by an independent subject matter expert. Not more than fifty percent (50%) of the total CPE credits required for the CPE reporting period can be claimed for author CPE credit.
- (H) (i) For courses that are part of the curriculum of a university, college or other educational institution, each semester hour credit shall equal fifteen (15) CPE credits, and each quarter hour shall equal ten (10) CPE credits.
 - (ii) For non-credit courses, CPE credit shall equal actual time in class.
 - (iii) CPE credit for instructing a college or university course shall be twice the credit that would have been granted participants for the first presentation of a specific

course or program and none thereafter, except if the course content has been substantially revised. To the extent a course has been substantially revised, the revised portion shall be considered a first presentation.

(iv) Not more than fifty percent (50%) of the total CPE credits required for the CPE reporting period can be claimed for instructor CPE credit.

- (I) Not more than twenty-five percent (25%) of the total qualifying CPE credits for a CPE reporting period may consist of a combination of the learning activities defined in Rule 6-5 (a) (4) and (5).

Commentary: The following chart summarizes the CPE credit allocation standards set forth in Rule 6-6(a)(1)(A)-(C).

Qualifying CPE Program	Minimum initial credit that must be earned	After first credit has been earned, credit may be earned in these increments
Group	One	One-fifth or one-half
Independent study	One	One-fifth or one-half
Blended learning	One	One-fifth or one-half
Self-study	One-half	One-fifth or one-half
Nano-learning	One-fifth	Not applicable (single nano-learning program is one-fifth credit)

(b) CPE records.

An applicant seeking renewal of a certificate, registration or license from the Board shall, as a prerequisite for such renewal, certify in a manner acceptable to the Board, that the applicant for renewal meets all of the CPE requirements set forth in Rule 6-4 above. Responsibility for documenting the acceptability of the program and the validity of the credits rests with the applicant who should retain such documentation for the longer of a period of five years or two reporting periods following completion of each learning activity.

The Board will verify, on a test basis, information submitted by applicants for renewal of a certificate, registration or license. In cases where the Board determines that the requirement is not met, the Board may grant an additional period of time in which the deficiencies can be cured or seek disciplinary action, at the Board's discretion. Fraudulent reporting is a basis for disciplinary action.

Rule 6-7 –CPE Reciprocity.

A non-resident licensee seeking renewal of a certificate in this state shall be determined to have met the CPE requirement (including the requirements of Rule 6-4(a)) of this rule by meeting the CPE requirements for renewal of a certificate in the state in which the licensee's principal place of business is located.

- (a) Non-resident applicants for renewal shall demonstrate compliance with the CPE renewal requirements of the state in which the licensee's principal place of business is located by signing a statement to that effect on the renewal application of this state.

- (b) If a non-resident licensee's principal place of business state has no CPE requirements for renewal of a certificate, the non-resident licensee must comply with all CPE requirements for renewal of a certificate in this state.

Rule 6-8 – Exceptions.

- (a) The Board may make an exception to the requirement set out in Rule 6-4(b) for a licensee who is inactive or who does not perform or offer to perform for the public one or more kinds of services involving the use of accounting or auditing skills, including the issuance of reports on financial statements or other compilation communication, or of one or more kinds of management advisory, financial advisory or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters.
- (b) The Board may in particular cases make exceptions to the requirements set out in Rule 6-4(b) for reasons of individual hardship including health, military service, foreign residence, or other good cause.
- (c) Licensees granted an exception by the Board must place the word “inactive” adjacent to their CPA title or PA title on any business card, letterhead or any other document or device, with the exception of their CPA certificate or PA registration, on which their CPA or PA title appears.
- (d) Licensees granted an exception by the Board must comply with a re-entry competency requirement defined by the Board as set out in Rule 6-4(d) before they may discontinue use of the word “inactive” in association with their CPA or PA title.

Rule 6-9 – Interstate practice.

- (a) These regulations provide two distinct routes for an individual already licensed in another state to be authorized to practice in this state. The applicable route depends upon whether the individual will establish a principal place of business in this state. Individuals establishing a principal place of business in this state may qualify for a reciprocal license as described in Section 6(c)(2) of the Act (substantial equivalence) or as described in Section 6(c)(1) of the Act and Rule 6-9(b) below). Individuals with a principal place of business in another state may offer or render services in this state pursuant to substantial equivalence (see Section 23(a)(1) or (a)(2) of the Act).
- (b) Regarding an individual establishing a principal place of business in this State, if the substantial equivalency standard set out in Section 23 of the Act is not applicable, the Board shall issue a reciprocal certificate to the holder of a certificate issued by another state provided that the applicant meets each of the following requirements:
 - (1) Has successfully completed the CPA examination. Successful completion of the examination means that the applicant passed the examination in accordance with the rules of the other state at the time it granted the applicant's initial certificate.
 - (2) Has satisfied the 4-in-10 experience requirement set out in Section 6(c)(1)(B) of the Act.
 - (3) Has experience of the type required under the Act and these Rules for issuance of the initial certificate.
 - (4) Has met the CPE requirement pursuant to Section 6(c)(1)(C) of the Act, if applicable.

Rule 6-10 – International reciprocity.

- (a) The Board may designate a professional accounting credential or professional registration issued in a foreign country as substantially equivalent to a CPA license.
 - (1) The Board may rely on the International Qualifications Appraisal Board for evaluation of foreign credential equivalency and may presume that an applicant with a foreign accounting credential that is covered by a currently valid Mutual Recognition Agreement (MRA) is substantially equivalent (subject to other qualifying requirements as provided in the MRA).
 - (2) The Board may accept a foreign accounting credential in partial satisfaction of its domestic credentialing requirements if:
 - (i) the holder of the foreign accounting credential met the issuing body's education requirement and passed the issuing body's examination used to qualify its own domestic candidates; and
 - (ii) the foreign credential is valid and in good standing at the time of application for a domestic credential.
- (b) The Board may satisfy itself through qualifying examination(s) that the holder of a foreign credential deemed by the Board to be substantially equivalent to a CPA certificate possesses adequate knowledge of U.S. practice standards [and the Board's regulations]. The Board may rely on the National Association of State Boards of Accountancy, the American Institute of Certified Public Accountants, or other professional bodies to develop, administer, and grade such qualifying examination(s). The Board will specify the qualifying examination(s) and process by resolution.
- (c) An applicant for renewal of a CPA certificate originally issued in reliance on a foreign accounting credential shall:
 - (1) Make application for renewal at the time and in the manner prescribed by the Board for all other certificate renewals;
 - (2) Pay such fees as are prescribed for all other certificate renewals;
 - (3) If the applicant has a foreign credential in effect at the time of the application for renewal of the CPA certification, present documentation from the foreign accounting credential issuing body that the applicant's foreign credential has not been suspended or revoked and the applicant is not the subject of a current investigation. If the applicant for renewal no longer has a foreign credential, the applicant must present proof from the foreign credentialing body that the applicant for renewal was not the subject of any disciplinary proceedings or investigations at the time that the foreign credential lapsed; and
 - (4) Either show completion of CPE substantially equivalent to that required under Rule 6-4 within the three year period preceding renewal application, or petition the Board for complete or partial waiver of the CPE requirement based on the ratio of foreign practice to practice in this State.
- (d) The holder of a license or practice privilege issued or granted by this Board in reliance on a foreign accounting credential or license shall report any investigations undertaken, or sanctions imposed, by a foreign credentialing or licensing body against the CPA's foreign credential or license, or any discipline ordered by any other regulatory authority having jurisdiction over the holder's conduct in the practice of accountancy.
- (e) Suspension or revocation of, or refusal to renew, the CPA's foreign accounting credential by the foreign credentialing body may be evidence of conduct reflecting adversely upon

the CPA's fitness to retain the certificate and may be a prima facie basis for Board action, subject to the following.

- (f) The Board may presume procedural due process and fairness if the foreign jurisdiction is a party to a current MRA that NASBA, the AICPA and this State have adopted.
- (g) Conviction of a felony or any crime involving dishonesty or fraud under the laws of a foreign country is evidence of conduct reflecting adversely on the CPA's fitness to retain the certificate and is a basis for Board action.
- (h) The Board shall notify the appropriate foreign credentialing authorities of any sanctions imposed against a CPA.
- (i) The Board may participate in joint investigations with foreign credentialing bodies and may rely on evidence supplied by such bodies in disciplinary hearings.

Rule 6-11 – Peer review for certificate holders who do not practice in a licensed firm.

A certificate holder who issues compilation reports as defined in this Act other than through a CPA firm that holds a permit under Section 7 of this Act must undergo a peer review as required under Rules 7-3 and 7-4.



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Attachment 2

CBA Regulations Section 87 Basic Requirements

(a) 80 Hours. As a condition for renewing a license in an active status, a licensee shall complete at least 80 hours of continuing education in the two-year period immediately preceding license expiration, and meet the reporting requirements described in Section 89(a). A licensee engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code is required to hold a license in an active status. No carryover of continuing education is permitted from one license renewal period to another.

(1) A licensee renewing a license in an active status, shall complete a minimum of 20 hours in each year of the two year license renewal period, with a minimum of 12 hours of the required 20 hours in technical subject areas as described in subsection (a)(2).

(2) Licensees shall complete a minimum of 50 percent of the required continuing education hours in the following technical subject areas: accounting, auditing, fraud, taxation, consulting, financial planning, ethics as defined in subsection (b), regulatory review as defined in Section 87.8, computer and information technology (except for word processing), and specialized industry or government practices that focus primarily upon the maintenance and/or enhancement of the public accounting skills and knowledge needed to competently practice public accounting.

(3) Licensees may claim no more than 50 percent of the required number of continuing education hours in the following nontechnical subject areas: communication skills, word processing, sales, marketing, motivational techniques, negotiation skills, office management, practice management, and personnel management.

(4) Programs in the following subject areas are not acceptable continuing education: personal growth, self-realization, spirituality, personal health and/or fitness, sports and recreation, foreign languages and cultures and other subjects which will not contribute directly to the professional competence of the licensee.

(b) Ethics Continuing Education Requirement A licensee renewing a license in an active status shall complete four hours of the 80 hours of continuing education required pursuant to subsection (a) in an ethics course. The course subject matter shall consist of one or more of the following areas: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical sensitivity, and consumer expectations. Programs in the following subject areas are not acceptable toward

meeting this requirement: sexual harassment, workplace harassment, or workplace violence. Courses must be a minimum of one hour as described in Section 88.2.

(c) Government Auditing Continuing Education Requirement. A licensee who engages in planning, directing, conducting substantial portions of field work, or reporting on financial or compliance audits of a governmental agency shall complete 24 hours of the 80 hours required pursuant to subsection (a) in the areas of governmental accounting, auditing or related subjects. This continuing education shall be completed in the same two-year license renewal period as the report is issued. A governmental agency is defined as any department, office, commission, authority, board, government-owned corporation, or other independent establishment of any branch of federal, state or local government. Related subjects are those which maintain or enhance the licensee's knowledge of governmental operations, laws, regulations or reports; any special requirements of governmental agencies; subjects related to the specific or unique environment in which the audited entity operates; and other auditing subjects which may be appropriate to government auditing engagements. A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (d).

(d) Accounting and Auditing Continuing Education Requirement. A licensee who engages in planning, directing, performing substantial portions of the work, or reporting on an audit, review, compilation, or attestation service, shall complete 24 hours of the 80 hours of continuing education required pursuant to subsection (a) in the course subject matter pertaining to financial statement preparation and/or reporting (whether such statements are prepared on the basis of generally accepted accounting principles or other comprehensive bases of accounting), auditing, reviews, compilations, industry accounting, attestation services, or assurance services. This continuing education shall be completed in the same two-year license renewal period as the report is issued. If no report is issued because the financial statements are not intended for use by third parties, the continuing education shall be completed in the same two-year license renewal period as the financial statements are submitted to the client.

(e) A licensee who must complete continuing education pursuant to subsections (c) and/or (d) of this section shall also complete an additional four hours of continuing education specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements. This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (c) or (d).

(f) Failure to Comply. A licensee's willful failure to comply with the requirements of this section shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act.



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Attachment 3

CBA Regulations Section 87.1 Continuing Education Requirements for New Licensees

- (a) All continuing education must be completed on or after the date the initial license was issued.
- (b) Once a license is issued, the licensee must complete 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date the initial license was issued to the first license expiration date in order to fulfill the continuing education requirement for license renewal. If the time period between the date the initial license was issued and the first license expiration date is less than six full months, no continuing education is required for license renewal.
- (c) A licensee who is required to complete a total of 80 hours of continuing education pursuant to subsection (b) shall also complete four hours of ethics education pursuant to Section 87(b).
- (d) Once a license is issued, a licensee who engages in financial or compliance auditing of a governmental agency at any time between the date the initial license was issued and the first license expiration date shall complete six hours of governmental auditing continuing education as part of each 20 hours of continuing education required under subsection (b). Continuing education in the areas of governmental accounting and auditing shall meet the requirements of Section 87(c). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (e).
- (e) Once a license is issued, a licensee who engages in audit, review, compilation, or attestation services at any time between the date the initial license was issued and the first license expiration date shall complete six hours of continuing education in accounting and auditing as part of each 20 hours of continuing education required under subsection (b). Continuing education in the areas of accounting and auditing shall meet the requirements of Section 87(d).
- (f) A licensee who is required to complete a total of 80 hours of continuing education pursuant to this section and must complete continuing education pursuant to subsection (d) or (e) shall also complete an additional four hours of continuing education specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements. This continuing education shall be part of the total hours of continuing education required by this section, but shall not be part of the continuing education required by subsection (d) or (e).
- (g) If an initial license expires as defined in Section 81(b)(2), the licensee must complete an additional 20 hours of continuing education as described in Section 87(a)(2) and

(a)(3) for each full six month period from the date of license expiration to the date on which the licensee applies for license renewal, up to a total of 80 hours of continuing education. If the time period between the date the license expired and the date on which the licensee applies for license renewal is less than six full months, no additional continuing education is required for license renewal.

(h) All continuing education required by this section shall be completed in the two-year period immediately preceding the date on which the licensee applies for license renewal. If the date on which the licensee applies for license renewal is less than two years from the date the initial license was issued, all continuing education must be completed on or after the date the initial license was issued.

(i) Failure to Comply.

A licensee's willful failure to comply with the requirements of this section shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act.



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Attachment 4

CBA Regulations Section 88 Programs Which Qualify

(a) (1) The overriding consideration in determining whether a specific program qualifies as acceptable continuing education is that it be a formal program of learning which contributes directly to the professional competence of a licensee in public practice. It is the obligation of each licensee to select a course of study, consistent with the requirements of this section and Sections 88.1 and 88.2, which will contribute directly to his/her professional competence.

(2) A formal program of learning is an instructional activity that meets the requirements of this section and Sections 88.1 and 88.2 or a course for which academic credit is granted by a university, college, or other institution of learning accredited by a regional or national accrediting agency.

(b) The following types of live presentation programs are deemed to qualify as acceptable continuing education provided the standards outlined in Section 88(a), Section 88.1, and Section 88.2 are maintained.

(1) Professional development programs of national and state accounting organizations.

(2) Technical session at meetings of national and state accounting organizations and their chapters which are designed as formal educational programs.

(3) University or college courses:

(i) Credit courses -each semester hour credit shall equal 15 hours toward the requirement. Each quarter hour credit shall equal 10 hours.

(ii) Non credit courses -each classroom hour will equal one qualifying hour.

(4) Other formal educational programs provided the program meets the required standards.

(c) Group Internet-Based Programs (Webcast): Programs that enable a licensee to participate from a computer in an interactive course presented by a live instructor at a distant location are qualifying, provided the program is based upon materials specifically developed for instructional use and meets the requirements of Section 88(a), Section 88.1 and Section 88.2. Group viewing of a webcast program is permissible only where a live facilitator logs into the program to ask questions on behalf of the group. The live facilitator shall document and verify group participation and attendance in accordance with the requirements of Section 88.1 and 88.2.

(d) Formal correspondence or other individual study programs are qualifying provided:

(1) the program is based upon materials specifically developed for instructional use,

(2) the program meets the requirements of Section 88(a), Section 88.1, and Section 88.2,

(3) the program is completed within one year from the date of purchase or enrollment, and

(4) the licensee receives a passing score.

(e) Self-study modules for national examinations that contribute to the professional competency of a licensee in public practice, such as the CERTIFIED FINANCIAL PLANNER [™] Certification Examination or the Certified Management Accountant examination qualify as acceptable continuing education if the modules meet the requirements of subsection (d).

(f) Credit as an instructor, discussion leader, or speaker shall be allowed for any meeting or program provided that the session is one which meets the continuing education requirements set forth in subsection (a)(1), Section 88.1, and Section 88.2. The credit allowed an instructor, discussion leader, or a speaker shall be on the basis of actual presentation hours, plus up to two additional hours for actual preparation time for each hour taught. The maximum credit for such preparation and teaching shall not exceed 50 percent of the renewal period requirement. For repeat presentations, an instructor shall receive no credit unless the instructor can demonstrate that the program content was substantially changed and that such change required significant additional study or research. Credit for licensees attending, not as instructors, discussion leader, or speakers, is limited to the actual meeting time.

(g) Credit may be allowed by the Board on an hour-for-hour basis for the following activities:

(1) Writing published articles and books provided the publisher is not under the control of the licensee, and the article and/or book would contribute to his/her professional competence.

(2) Writing instructional materials for any continuing education program which meets the requirements of subsection (a)(1), Section 88.1, and Section 88.2,

(3) Writing questions for the Uniform Certified Public Accountant Examination,

(4) Performing a technical review of instructional materials for any continuing education program which meets the requirements of subsection (a)(1), Section 88.1, and Section 88.2. For the purposes of this section a technical review shall mean reviewing for technical accuracy, currency of the information, and attainment of stated learning objectives.

(h) The maximum credit allowed under subsection (g) shall not exceed 25 percent of the renewal period requirement.

(i) In order for any continuing education hours to be acceptable to the Board under this article, the hours shall be completed in a program which qualifies under this section or Section 87.9.



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CBA Item IX.A.
 January 18, 2018

**DEPARTMENT OF CONSUMER AFFAIRS (DCA)
 CALIFORNIA BOARD OF ACCOUNTANCY (CBA)**

DRAFT

**MINUTES OF THE
 November 16, 2017
 CBA MEETING**

**California Board of Accountancy
 2450 Venture Oaks Way, Suite 420
 Sacramento, CA 95833
 Telephone: (916) 263-3680**

Roll Call and Call to Order.

California Board of Accountancy (CBA) President Alicia Berhow called the meeting to order at 10:01 a.m. on Thursday, November 16, 2017 at the California Board of Accountancy. The CBA recessed at 12:36 p.m. for a lunch break until 2:00 p.m. The CBA convened into closed session at 2:00 p.m. until 4:10 p.m. The meeting reconvened into open session at 4:11 p.m. President Berhow adjourned the meeting at 4:11 p.m.

CBA Members

Alicia Berhow, President
 Michael M. Savoy, CPA, Vice-President
 Mark Silverman, Esq. Secretary/Treasurer
 Jose A. Campos, CPA
 George Famalett, CPA
 Karriann Farrell Hinds, Esq.
 Dan Jacobson, Esq.
 Xochitl León
 Luz Molina Lopez
 Carola Nicholson, CPA
 Jian Ou-Yang, CPA
 Sunny Youngsun Park, Esq.
 Deidre Robinson
 Katrina L. Salazar, CPA
 Kathleen Wright, CPA

November 16, 2017

10:01 a.m. to 4:11 p.m.
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 10:01 a.m. to 4:11 p.m.
 10:01 a.m. to 4:11 p.m.
 10:06 a.m. to 4:11 p.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Christopher Castrillo, DCA, Deputy Director, Office of Board and Bureau Services
Rich Andres, Information Technology (IT) Staff
Elina Asrian, Enforcement Analyst
Aaron Bone, Information and Planning Officer
Ileana Butu, Legal Counsel, DCA
Angela Contreras, Executive Assistant
Liz Contreras, Disciplinary Technician
Manny Estacio, IT Staff
Dominic Franzella, Chief, Enforcement Division
Paul Fisher, CPA, Enforcement Manager
Cindi Fuller, Licensing Manager
Suzanne Gracia, Licensing Manager
Ashley Heebner, Enforcement Manager
Shelly Jones, DCA, Board and Bureau Relations Manager
Nooshin Movassaghi, Legislative Analyst
Allison O'Connor, Enforcement Analyst
Rebecca Reed, Board Relations Analyst
Corey Riordan, Enforcement Manager
Siek Run, Enforcement Analyst
Gina Sanchez, Chief, Licensing Division
Ben Simcox, CPA, Deputy Chief, Enforcement Division
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
Ryan Wheeler, Enforcement Analyst

Committee Chairs and Members

Joseph Rosenbaum, CPA, Chair, Enforcement Advisory Committee (EAC)
David Evans, CPA, Chair, Qualifications Committee (QC)

Other Participants

Dean Andal, The Accountants Coalition
Jason Fox, California Society of CPAs (CalCPA)
JoAnn Henkel
Roger S. Kent, National Society of Accountants (NSA)
Morris Miyabara, NSA
Larry O'Connor
Monica O'Connor
Pilar Oñate-Quintana, The Oñate Group

I. Report of the President.

A. Introduction of Newly Appointed California Board of Accountancy Members.

1. Dan Jacobson, Esq.

President Berhow welcomed Mr. Jacobson to the CBA.

2. Luz Molina Lopez.

President Berhow welcomed Ms. Molina Lopez to the CBA.

3. Carola A. Nicholson, CPA.

President Berhow welcomed Ms. Nicholson to the CBA.

B. 2018 California Board of Accountancy Member Committee Interest Survey.

President Berhow provided an overview of the Committee Interest Form, which is used to appoint members to committees that assist the CBA with its mission of consumer protection. President Berhow stated that the committee interest surveys should be completed, as the surveys will be used by the next CBA President to appoint members to the Committee on Professional Conduct (CPC), Enforcement Program Oversight Committee (EPOC), Legislative Committee (LC), Strategic Planning Committee (SPC), and the CBA liaisons for the Enforcement Advisory Committee (EAC), Peer Review Oversight Committee (PROC), and Qualifications Committee (QC).

C. Report on the National Association of State Boards of Accountancy Annual Meeting held on October 29 through November 1, 2017.

President Berhow reported that she attended the National Association of State Boards of Accountancy (NASBA) Annual Meeting, held in New York City, New York. She stated that some of the presentations included speakers from the Public Company Accounting Oversight Board, International Ethics Standards Board for Accountants, multi-national CPA firms, and the American Institute of Certified Public Accountants. She stated that some of the topics that were discussed included rethinking peer review administration, continuing professional education (CPE) advances, and the latest Uniform Accountancy Act and Model Rules.

Ms. Wright inquired if there was any discussion regarding the legalization of cannabis and any model rules that might provide direction to boards regarding cannabis.

President Berhow stated that the legalization of cannabis was brought up the last day of the meeting, but there was very little discussion regarding the matter.

D. National Association of State Boards of Accountancy Committee Appointments.

President Berhow reported that the following CBA members were appointed to a NASBA committee:

- Katrina L. Salazar, CPA – Enforcement Resources Committee
- Katrina L. Salazar, CPA – Strategic Planning Task Force
- Kathleen K. Wright, CPA – Continuing Professional Education Committee

E. Announcement of California Board of Accountancy Leadership Award of Excellence.

President Berhow announced that the recipients of the CBA Leadership Award of Excellence are Allison O'Connor, Enforcement Analyst, and Siek Run, Enforcement Analyst.

F. Discussion and Possible Action Regarding a Proposed Change to the California Board of Accountancy's September 2018 Meeting Dates.

Ms. Reed provided members with a proposed change to the September 2018 CBA meeting Calendar, changing the date of the September 13-14, 2018 CBA meeting to September 20-21, 2018. She stated that the proposed change is due to the fact that the September 13-14, 2018 CBA meeting coincides with the final deadline to file tax returns for partnerships and S Corporations with extensions.

Ms. Salazar requested that the September 20-21, 2018 CBA meeting start at a later time to allow members that observe Yom Kippur to travel the morning of the CBA meeting.

It was moved by Mr. Silverman and seconded by Ms. Robinson to change the September 13-14, 2018 CBA meeting date to September 20-21, 2018.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

G. Discussion and Possible Action Regarding the California Board of Accountancy's Report to the Legislature and Director of the Department of Consumer Affairs Pursuant to Business and Professions Code Section 5096.21(f).

Mr. Franzella stated that the purpose of this item is for the CBA to approve the report to the Legislature and the Director of DCA regarding the no notice, no fee practice privilege provisions (mobility). He stated that the report represents the

culmination of a multi-year effort to effectively implement the mobility provisions and assess the impact on consumers and licensees. Mr. Franzella indicated that staff also prepared a letter addressed to the required parties, which will be inserted directly after the cover page of the report. He stated that staff anticipate issuing the report to the Legislature in early to middle December.

It was moved by Ms. Salazar and seconded by Ms. Robinson to approve the report to the Legislature and Department of Consumer Affairs Director on the practice privilege or mobility provisions and delegated final review and approval of the report to the CBA President.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

- H. Developments Since the February 2015 United States Supreme Court Decision: North Carolina State Board of Dental Examiners v. Federal Trade Commission.

Ms. Butu stated that the Economic Liberty Taskforce will be holding another roundtable discussion and that it is seeking public comment from interested parties on topics relating to the empirical evidence on the effects of occupational licensure.

- I. Department of Consumer Affairs Director's Report on Departmental Activities.

Christopher Castrillo, Deputy Director, Board and Bureau Services, announced that there have been a number of staffing changes at the DCA Executive Office, which included Christopher Shultz, Chief Deputy Director of DCA, Natalie Daniel, Deputy Director of Administration of DCA, Karen Nelson, Assistant Deputy Director of Board and Bureau Services, and Patrick Le, Assistant Deputy Director of Board and Bureau Services.

Mr. Castrillo stated that 2017 is a required sexual harassment prevention training and ethics training year.

Mr. Castrillo stated that DCA conducted a pro rata open house. He stated that pro rata is the process by which DCA distributes costs among its boards and bureaus. He stated DCA will be conducting an annual meeting with board presidents, however, the date has not been scheduled.

II. Report of the Vice-President.

A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee.

It was moved by Mr. Savoy and seconded by Mr. Silverman to reappoint Nancy Corrigan, CPA, as Vice-Chairperson to the EAC effective January 1, 2018 through December 31, 2018.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

It was moved by Mr. Savoy and seconded by Mr. Jacobson to reappoint Joseph Rosenbaum, CPA, as Chairperson to the EAC effective January 1, 2018 through December 31, 2018.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee.

It was moved by Mr. Savoy and seconded by Ms. Salazar to reappoint Joanna Bolsky, CPA, to the QC effective December 1, 2017 through November 30, 2018.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

It was moved by Mr. Savoy and seconded by Mr. Famalett to reappoint Kimberly Sugiyama, CPA, as Vice-Chairperson to the QC effective January 1, 2018 through December 31, 2018.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

It was moved by Mr. Savoy and seconded by Ms. Robinson to reappoint David Evans, CPA, as Chairperson to the QC effective January 1, 2018 through December 31, 2018.

Yes: Mr. Campos, Mr. Famalett, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

Recuse: Ms. Berhow and Ms. Hinds.

C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

It was moved by Mr. Savoy and seconded by Mr. Silverman to appoint Fiona (Liang) Tam, CPA to the PROC effective November 16, 2017 through November 30, 2018.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

It was moved by Mr. Savoy and seconded by Ms. Robinson to reappoint Renée Graves, CPA to the PROC effective December 1, 2017 through November 30, 2018.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

It was moved by Mr. Savoy and seconded by Ms. Nicholson to reappoint Jeffrey De Lyser, CPA as Chairperson to the PROC effective January 1, 2018 through December 31, 2018.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

III. Report of the Secretary/Treasurer.

A. Review of the California Board of Accountancy Fund Condition and Consideration of Possible Fee Changes.

Ms. Pearce stated that the purpose of this item is to provide the CBA with the fund condition and to consider a possible license renewal fee increase to \$250. She stated that the fee increase will provide the necessary resources for the CBA to ensure enforcement responsibilities are met, to transition from its current database, and ensure sufficient reserves exist for budget augmentations.

Ms. Pearce stated that the CBA had several fee changes in the mid-90s and 2000 due to a provision in the CBA's law that required the CBA to maintain its Accountancy Fund at a nine-month reserve level. She stated that the mandated month in reserve (MIR) level required ongoing and frequent fee changes to ensure compliance with the statute.

Ms. Pearce stated that during the CBA's Sunset Review in 2015, the Legislature expressed concerns regarding whether the CBA would have sufficient funding to investigate and prosecute a case against a large accountancy firm. Further, the Legislature indicated that to ensure sufficient resources are available for possible enforcement needs, it supports the CBA maintaining the Accountancy Fund at 24 MIR. Ms. Pearce clarified that this level is specific to the CBA, and may not be consistent with what other boards have been directed to maintain.

Ms. Pearce stated that because enforcement funding was a significant concern with the Legislature during the 2015 Sunset Review process as the CBA undergoes Sunset Review in 2019, it must be prepared for similar questions regarding whether it has sufficient resources available to handle large enforcement matters. She stated that should the CBA consider a fee increase to \$250, this will eliminate the imbalance of revenues and expenditures that presently exists, provide resources for transition from its current database, and ultimately reach at or near 24 MIR by FY 2022-23. She stated that as the initial license fee for CPAs and firms are tied to the renewal fee, those fees would increase to \$250 as well. She stated that any other increase in fees would not have the intended result, this includes examination fees, application fees, and changes to cost recovery.

Ms. Wright expressed concern about the amount of the proposed fee increase, as it would almost double the renewal fee. Ms. Wright also stated that normally when revenue fees are increased, the first thing that is done is an expense analysis. She stated that she did not see an analysis included with this report.

In response to Ms. Wright's concern, Ms. Pearce indicated that staff conducts a thorough analysis of the functions that are conducted throughout the CBA, which she could provide to the CBA.

Ms. Wright inquired if the CBA collected the entire cost recovery amount from enforcement actions, would that have an impact on the fee increase.

Mr. Franzella stated that the CBA is budgeted a specific amount for all staff in the enforcement division and that cost recovery is not necessarily focused on recovering all of the salaries and wages for the enforcement staff. He stated that the license renewal fees bear the cost of staffing.

Ms. Molina Lopez inquired on what the highest amount the renewal fee has been in the past.

Ms. Pearce stated that the highest amount the renewal fee has been is \$200 and that fee amount was in place for 23 years. She stated that \$200 was the fee prior to 1995. Between 1995 and 2000 there were a few reductions in the fee. She stated that renewal fees have been as low \$50.

Mr. Savoy inquired if staff know what the renewal fees are for Texas and New York.

Ms. Pearce stated that Texas is on a three year renewal cycle and the renewal fee for Texas is \$66 annually. She stated that she can include the renewal fees for New York at the January CBA meeting.

It was moved by Mr. Campos and seconded by Ms. Hinds to direct staff to provide proposed regulatory language at the January 2018 CBA meeting that reflect a license renewal fee increase to \$250 to ensure sufficient resources to fund unanticipated enforcement or litigation matters and enable the CBA to transition to a new database system.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

IV. Report of the Executive Officer.

A. Update on Staffing.

Ms. Bowers stated that Cindi Fuller, Manager in the Renewal Unit will be retiring at the end of the year, Suzanne Gracia has been promoted to Licensing Manager, and Angela Contreras has been transferred from the Administrative Unit to the Executive Unit as Ms. Pearce's assistant.

B. Update on the California Board of Accountancy's Communications and Outreach.

Mr. Bone stated that nearly 70 students participated in the two outreach events that were held at California State University, Fullerton, in conjunction with the September CBA meeting.

Mr. Bone noted that on October 21, President Berhow was the Keynote Speaker at the 31st Anniversary Dinner and Officer Installation for the Philippine American Society of CPAs (Los Angeles Chapter). He stated that on October 24, President Berhow spoke at Golden Gate University on the topic of "Professional Ethics and the Consumer Impact" as part of the Braden Leadership Speaker Series. Approximately 45 students, university officials, and members of the public attended her presentation.

Mr. Bone stated that on November 16, 2017, CBA staff participated at the CalCPA Sacramento Chapter Student Outreach Luncheon at California State University, Sacramento.

V. Report on the Enforcement Advisory Committee, Qualifications Committee, and Peer Review Oversight Committee.

A. Enforcement Advisory Committee.

1. Report of the October 19, 2017, Enforcement Advisory Committee Meeting.

Mr. Rosenbaum reported that members reviewed and provided guidance on 15 open cases and reviewed 16 closed cases and conducted five investigative hearings. He stated that the next meeting will be held on February 1, 2018 in Sacramento.

B. Qualifications Committee.

1. Report of the July 26, 2017 and October 25, 2017, Qualifications Committee Meetings.

Mr. Evans reported that a total of 20 Section 69 reviews were conducted and there was one personal appearance. He stated that of these, 17 were approved and four were deferred.

2. Approval of the 2018 Qualifications Committee Meeting Dates.

It was moved by Mr. Campos and seconded by Ms. Nicholson to approve the 2018 Qualifications Committee meetings dates.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Nicholson, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. León and Mr. Silverman.

C. Peer Review Oversight Committee.

There was no report on this agenda item.

VI. Report of the Enforcement Chief.

A. Enforcement Activity Report.

Mr. Franzella provided an overview of this item.

Ms. Berhow inquired if there has been an increase in external complaints.

Mr. Franzella stated that there has been an increase and noted that the majority of the increase had to do with cases being historically coded as internal now be re-coded as external.

VII. Report of the Licensing Chief.

A. Licensing Activity Report.

Ms. Sanchez provided an overview of this item.

Mr. Campos inquired on the amount of pending applications for initial licensure and if there is any issues with backlog. He requested that staff include this information in future reports.

Ms. Sanchez stated that a lot of the aging on the licensing and examination side are related to applications that have been deemed deficient and the CBA is awaiting a response from the applicant. After one year, if the applicant has not corrected the deficiencies, the application will be abandoned.

Ms. Wright inquired why California is below the national average on the Uniform CPA Examination (CPA Exam) pass rate.

Ms. Sanchez stated that staff has not reached out to schools in the past to determine the reason, but staff will research the reason.

Ms. Bowers stated that staff will reach out to NASBA to determine what research NASBA has done on a national level regarding CPA Exam pass rates.

VIII. Report on the Legislative Committee and the Committee on Professional Conduct.

A. Legislative Committee.

1. Report of the November 16, 2017, Legislative Committee Meeting.
2. Discussion and Possible Action on Proposed Legislation to Amend Business and Professions Code Section 5100 to Further Define that for Purposes of Subsections (d), (h), and (l) that Certified Copies of Records of the Disciplinary or Other Actions Taken Against a Licensee Shall be Conclusive Evidence of the Events Related Therein for Purposes of Determining Discipline.

Ms. Hinds stated that at the September 2017 meeting, the CBA stated its position regarding Business and Professions Code section 141. Specifically the CBA affirmed that for disciplinary or other actions taken by other agencies, certified copies of records shall be considered conclusive evidence. She stated that staff worked with DCA Legal Counsel and the Attorney General's office to prepare a legislative proposal to clearly articulate the CBA's position. By doing so, the licensees would not be allowed to impeach or challenge the findings of a prior, final agency decisions.

The LC discussed the difference between a certified copy and a true and correct copy and was informed by staff and the Deputy Attorney General that the importance for allowing both is to avoid a delay in proceedings for obtaining a certified copy. Concerns were raised about the language implying they are the same and emphasized that a certified copy has more power. She stated that the proposed language allows for any future changes to agencies' policies in posting decisions on their websites, in lieu of providing certified copies.

Mr. Jacobson stated that there is a difference between a certified copy and a true and correct copy. He stated that anybody can affirm that something is a true and correct copy, but only a government can create a certified copy. He stated that there should be more weight put on a certified copy than on a true and correct copy.

The LC recommended that the CBA approve the proposed language to amend Business and Professions Code section 5100, and directed staff to seek inclusion in a 2018 omnibus bill, or if necessary, seek an author to carry a legislative bill.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: Mr. Jacobson.

Abstain: None.

Absent: None.

3. Discussion and Possible Action on Proposed Legislative Language to Amend Business and Professions Code Sections 5095(c) – Providing Attest Services and 5130 – Application Fee.

Ms. Hinds stated that the purpose of this item is to provide the CBA with information regarding proposed language for inclusion in the Senate

Committee on Business, Professions and Economic Development, or Senate B&P, annual omnibus bill.

Ms. Hinds stated that each year the Senate B&P Committee provides an opportunity for DCA boards to submit non-substantive and non-controversial proposals for consideration in an omnibus bill. She stated that during a routine review of the Business and Professions Code, staff identified two sections the CBA may wish to consider making a non-substantive change that would assist in clarifying and updating current law. The first is Business and Professions Code section 5095, which establishes the attest experience requirement for CPA licensure applicants who wish to be licensed with the authority to sign reports on attest engagements. She stated that section 5095, subdivision (c), contains language that is no longer relevant. Specifically, it states, "An individual who qualified for licensure by meeting the requirements of Section 5083 shall be deemed to have satisfied the requirements of this section." Section 5083 was removed from the Accountancy Act as it pertained to experience requirements for CPA licensure that existed prior to January 1, 2010.

She stated that the second, Business and Profession Code section 5130, requires the CBA to collect a fee from CPA applicants and states, "The board shall charge and collect a fee from each applicant for the certificate of certified public accountant. The fee shall accompany the application which must be made on a blank provided by the board." She stated that in order to add clarity and uniformity staff is requesting to amend the word "blank" to "form."

The LC Recommended that the CBA adopt the changes to Business and Professions Code section 5095(c), which contains language that is no longer relevant, and 5130, in order to change the word "blank" to "form", and direct staff to seek their inclusion in a 2018 omnibus bill, or if necessary, seek an author to carry a separate bill.

Yes: Ms. Berhow, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Campos and Ms. Nicholson.

B. Committee on Professional Conduct.

1. Report of the November 16, 2017, Committee on Professional Conduct Meeting.

2. Discussion Regarding Whether to Allow Continuing Education Credit for Licensees Serving on the California Board of Accountancy or its Advisory Committees.

Mr. Famalett stated that the purpose of this agenda item was to provide the CBA the opportunity to discuss allowing continuing education, or CE, credit for licensees serving on the CBA or its advisory committees.

Mr. Famalett stated that at the September 2017 CBA meeting, a CBA member requested this topic be presented for discussion. The CBA determined that the prevailing consideration in determining whether CE is acceptable is that it must be a formal program of learning that contributes directly to the professional competence of a licensee in public practice. He stated that staff outlined the relevant CBA Regulations sections to provide members with a context for considering granting CE credit. Furthermore, staff provided an overview of the research of 15 other Department of Consumer Affairs boards and did not find any regulations allowing CE credit for their board or committee members.

Mr. Savoy stated that the reason he brought this topic up as an agenda item was because at an advisory level, this could be an incentive to get CPAs to apply for the various advisory committees. He stated that it is difficult to get CPAs to volunteer to serve on these committees, especially when there is no incentive to serve on a committee, which can be very time consuming. He stated that it would be nice to give these committee members a portion of their required CPE while serving.

No action was taken on this item.

3. Discussion and Possible Action to Make Nonsubstantive ("Section 100") Changes to the Forms Incorporated by Reference in Title 16, California Code of Regulations, Sections 9.1, 12, 12.1, 12.5, 15.1, 16, 19, 20, 43, 45, and 87.9, in Order to Update the California Board of Accountancy's Mailing Address.

Mr. Famalett stated that the purpose of this item was to provide the CBA an opportunity to consider taking action to amend several CBA Regulations sections, and update the corresponding CBA forms incorporated in those sections to reflect the CBA's current mailing address. He stated that because these changes are non-substantive, staff plan to use an expedited rulemaking process, known as a "Section 100" change, which take effect 30 days following submission to the Office of Administrative Law. However, if this is denied, staff request the CBA authorize the Executive Officer to pursue the proposed changes through the regular rulemaking process.

The CPC recommended the following motion to the CBA:

- **Approve the regulatory text and forms in CBA Regulation sections 9.1, 12, 12.1, 12.5, 15.1, 16, 19, 20, 43, 45, and 87.9 and authorize the Executive Officer to initiate the formal rulemaking process for a Section 100 change, including submitting the text and form changes to the Director of the Department of Consumer Affairs (DCA) and the Business Consumer Services and Housing Agency (BCSH) for review,**
- **If no adverse comments are received, submit the Section 100 change to OAL.**
- **If OAL does not approve the Section 100 change, direct staff to submit the text and form changes to the Director of DCA, and BCSH for review.**
- **If no adverse comments are received, authorize the Executive Officer to make any non-substantive changes to the package, take all steps necessary to initiate the regular rulemaking process and set the matter for hearing.**

Yes: Ms. Berhow, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: Ms. Molina Lopez.

Absent: Mr. Campos.

IX. Meeting Minutes.

- Adoption of the Minutes of the September 14-15, 2017, California Board of Accountancy Meeting.**
- Acceptance of the Minutes of the July 20, 2017, Legislative Committee Meeting.**
- Acceptance of the Minutes of the September 14, 2017, Committee on Professional Conduct Meeting.**
- Acceptance of the Minutes of the July 6, 2017, Enforcement Advisory Committee Meeting.**
- Acceptance of the Minutes of the July 26, 2017, Qualifications Committee Meeting.**

It was moved by Ms. Robinson and seconded by Mr. Silverman to approve agenda items IX.A. – IX.E.

Yes: Ms. Berhow, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Park, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: Ms. Molina Lopez, Ms. Nicholson, Mr. Ou-Yang, and Ms. Robinson.

Absent: Mr. Campos.

X. Other Business.

A. American Institute of Certified Public Accountants.

1. Report on Meetings of the American Institute of Certified Public Accountants Attended by a California Board of Accountancy Representative.

There was no report on this agenda item.

B. National Association of State Boards of Accountancy.

1. Report on Meetings of the National Association of State Boards of Accountancy Attended by a California Board of Accountancy Representative.

There was no report on this agenda item.

2. Report on Committee Meetings of the National Association of State Boards of Accountancy Attended by a California Board of Accountancy Member.

- a. Enforcement Resources Committee.

There was no report on this agenda item.

- b. Computer Based Testing Administration Committee.

There was no report on this agenda item.

- c. Continuing Professional Education Committee.

There was no report on this agenda item.

XI. Officer Elections.

A. Secretary-Treasurer.

It was moved by Ms. Berhow and seconded by Mr. Savoy to appoint Mark Silverman, Esq. as Secretary/Treasurer of the CBA.

Yes: Ms. Berhow, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Campos.

B. Vice-President.

It was moved by Ms. Berhow and seconded by Mr. Silverman to appoint George Famalett, CPA as Vice-President of the CBA.

Yes: Ms. Berhow, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Campos.

C. President.

It was moved by Ms. Berhow and seconded by Ms. Hinds to appoint Michael M. Savoy, CPA as President of the CBA.

Yes: Ms. Berhow, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Campos.

XII. Closing Business.

A. Public Comments.

Jo Ann Henkel, a member of the public provided comments regarding the recent outcome of a complaint she filed with the CBA.

B. Agenda Items for Future California Board of Accountancy Meetings.

Ms. Wright requested staff bring back information regarding the interactive learning approach of continuing education similar to what has been adopted by the Indiana Board of Accountancy.

Mr. Jacobson requested that staff bring back information regarding granting continuing education credit to CPAs that serve on a CBA advisory committees.

XIII. Closed Session.

A. Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy Will Convene Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements, Default Decisions, Proposed Decisions, and Decision After Non-Adoption).

B. Pursuant to Government Code Section 11126(e), the California Board of Accountancy Will Meet in Closed Session to Receive Advice From Legal Counsel on Litigation (*David Greenberg v. California Board of Accountancy*, Los Angeles County Superior Court, Case No. BS155045).

Adjournment.

President Berhow adjourned the meeting at 4:11 p.m. on Thursday, November 16, 2017.

Michael M. Savoy, CPA, President

Mark J. Silverman, Esq., Secretary/
Treasurer

Rebecca Reed, Board Relations Analyst, and Patti Bowers, Executive Officer, CBA, prepared the CBA meeting minutes. If you have any questions, please call (916) 561-1718.



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LC Item I.
 January 18, 2018

CBA Item IX.B.
 January 18, 2018

DEPARTMENT OF CONSUMER AFFAIRS (DCA)
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
November 16, 2017
LEGISLATIVE COMMITTEE (LC) MEETING

DRAFT

California Board of Accountancy
 2450 Venture Oaks Way, Suite 420
 Sacramento, CA 95833
 Telephone: (916) 263-3680

Karriann Farrell Hinds, Chair, called the meeting of the LC to order at 9:01 a.m. on Thursday, November 16, 2017 at the California Board of Accountancy (CBA). Ms. Hinds requested that the roll be called.

LC Members

Karriann Farrell Hinds, Chair	Present
George Famalett, CPA	Absent
Dan Jacobson, Esq.	Present
Luz Molina Lopez	Present
Carola Nicholson, CPA	Present
Deidre Robinson	Present
Kathleen Wright, CPA	Present

CBA Members Observing

Alicia Berhow, President
 Jose A. Campos, CPA
 Xochitl León
 Katrina L. Salazar, CPA
 Michael M. Savoy, CPA, Vice-President
 Mark Silverman, Esq., Secretary/Treasurer
 Sunny Youngsun Park, Esq.

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer
 Deanne Pearce, Assistant Executive Officer

Christopher Castrillo, Department of Consumer Affairs (DCA), Deputy Director, Office of Board and Bureau Services
Rich Andres, Information Technology Staff
Elina Asrian, Enforcement Analyst
Aaron Bone, Information and Planning Officer
Ileana Butu, Legal Counsel, DCA
Angela Contreras, Executive Assistant
Liz Contreras, Disciplinary Technician
Emmanuel Estacio, Information Technology Staff
Paul Fisher, Enforcement Supervising Investigative CPA
Dominic Franzella, Chief, Enforcement Division
Cindi Fuller, Licensing Manager
Alegra Keith, Executive Secretary
Nooshin Movassaghi, Legislative Analyst
Allison O'Connor, Enforcement Analyst
Rebecca Reed, Board Relations Analyst
Corey Riordan, Enforcement Manager
Siek Run, Enforcement Analyst
Gina Sanchez, Chief, Licensing Division
Ben Simcox, CPA, Enforcement Deputy Chief
Carl Sonne, Deputy Attorney General, Department of Justice
Ryan Wheeler, Enforcement Analyst

Other Participants

Dean Andal, The Accountants Coalition
David Evans, CPA, Chair, Qualifications Committee
Jason Fox, California Society of CPAs
JoAnn Henkel
Roger S. Kent, National Society of Accountants
Larry O'Connor
Monica O'Connor
Pilar Oñate-Quintana, The Oñate Group
Joseph Rosenbaum, CPA, Chair, Enforcement Advisory Committee

- I. Approve Minutes of the July 20, 2017 Legislative Committee Meeting.

It was moved by Ms. Robinson and seconded by Ms. Wright to adopt the minutes of the July 20, 2017 Legislative Committee (LC) meeting.

Yes: Ms. Hinds, Ms. Robinson, and Ms. Wright.

No: None.

Abstain: Mr. Jacobson, Ms. Molina Lopez, and Ms. Nicholson.

Absent: Mr. Famalett.

The motion passed.

- II. Discussion and Possible Action on Proposed Legislation to Amend Business and Professions Code (BPC) Section 5100 to Further Define that for Purposes of Subsections (d), (h), and (l) that Certified Copies of Records of the Disciplinary or Other Actions Taken Against a Licensee Shall be Conclusive Evidence of the Events Related Therein for Purposes of Determining Discipline.

Mr. Franzella stated that the purpose of this item was to provide the California Board of Accountancy (CBA) the opportunity to consider and approve statutory language to amend BPC section 5100 to further define that certified copies of records or the disciplinary or other actions taken against a licensee shall be conclusive evidence of the events related therein for purposes of determining discipline.

He continued to report that at the September 2017 meeting, the CBA stated its position regarding BPC section 141. Specifically, the CBA affirmed that for disciplinary or other actions taken by other agencies, certified copies of records shall be considered conclusive evidence.

Mr. Franzella stated that staff worked with DCA Legal Counsel and the Attorney General's office to prepare a legislative proposal to clearly articulate the CBA's position. If the amendment to BPC 5100 becomes law, a licensee would not be allowed to impeach or challenge the findings of a prior, final agency's decision.

The LC discussed the difference between a certified copy and a true and correct copy and was informed by staff and Mr. Sonne that allowing a true and correct copy will avoid delays in proceedings that may occur when obtaining a certified copy of an agency's final decision.

Mr. Jacobson stated his concern was that the language implied that certified copies and true and correct copies are the same. He stated that a certified copy has more power as it is self-verifiable; however, a person has to prove that a true and correct copy is accurate.

It was moved by Ms. Robinson, and seconded by Ms. Nicholson that the LC recommend that the CBA approve the proposed language to amend Business and Professions Code section 5100, and direct staff to seek inclusion in a 2018 omnibus bill, or if necessary, seek an author to carry a legislative bill.

Yes: Ms. Hinds, Ms. Molina Lopez, Ms. Nicholson, Ms. Robinson, and Ms. Wright.

No: Mr. Jacobson.

Abstain: None.

Absent: Mr. Famalett.

The motion passed.

III. Discussion and Possible Action on Proposed Legislative Language to Amend Business and Professions Code Sections 5095(c) – Providing Attest Services and 5130 – Application Fee.

Ms. Movassaghi indicated that the purpose of this item was to provide the CBA with information regarding proposed language for inclusion in the Senate Committee on Business, Professions and Economic Development (Senate B&P) annual omnibus bill.

She continued to report that each year the Senate B&P Committee provides an opportunity for DCA boards to submit non-substantive or non-controversial proposals for consideration in an omnibus bill.

Staff stated that during a routine review of the BPC, staff identified two sections the CBA may wish to consider making a non-substantive change that would clarify and update current law.

The first is BPC section 5095, which establishes the experience requirement for CPA licensure applicants who wish to be licensed with the authority to sign reports on attest engagements.

BPC section 5095, subdivision (c), contains language that is no longer relevant. Specifically, it states, “An individual who qualified for licensure by meeting the requirements of section 5083 shall be deemed to have satisfied the requirements of this section.” BPC section 5083 was previously removed from the Accountancy Act as it pertained to experience requirements for CPA licensure that existed prior to January 1, 2010.

The second proposed change is to BPC section 5130, which states, “The board shall charge and collect a fee from each applicant for the certificate of certified public accountant. The fee shall accompany the application which must be made on a blank provided by the board.”

Ms. Movassaghi stated that in order to add clarity and uniformity staff is requesting to amend the word “blank” to “form.”

It was moved by Mr. Jacobson, and seconded by Ms. Wright that the LC recommend that the CBA adopt the changes to Business and Professions Code section 5095(c) and 5130, and direct staff to seek inclusion in a 2018 omnibus bill, or if necessary, seek an author to carry a separate bill.

Yes: Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Nicholson, Ms. Robinson, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Famalett.

The motion passed.

IV. Public Comment

No public comments were received.

V. Agenda Items for Next Meeting.

None.

There being no further business to be conducted, the meeting was adjourned at 9:33 a.m.



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CPC Item I.

January 18, 2018

CBA Item IX.C.

January 18, 2018

**DEPARTMENT OF CONSUMER AFFAIRS (DCA)
 CALIFORNIA BOARD OF ACCOUNTANCY (CBA)**

**MINUTES OF THE
 November 16, 2017
 COMMITTEE ON PROFESSIONAL CONDUCT (CPC) MEETING**

DRAFT

California Board of Accountancy
 2450 Venture Oaks Way, Suite 420
 Sacramento, CA 95833
 Telephone: (916) 263-3680

George Famalett, CPA, Chair, called the meeting of the CPC to order at 9:39 a.m. on Thursday, November 16, 2017 at the California Board of Accountancy (CBA). Mr. Famalett requested that the roll be called.

CPC Members

George Famalett, CPA, Chair	Present
Jose A. Campos, CPA	Present
Dan Jacobson, Esq.	Present
Xochitl León	Present
Sunny Youngsun Park, Esq.	Present
Michael M. Savoy, CPA	Present
Mark Silverman, Esq.	Present

CBA Members Observing

Alicia Berhow, President
 Karriann Farrell Hinds, Esq.
 Luz Molina Lopez
 Jian Ou-Yang, CPA
 Carola Nicholson, CPA
 Deidre Robinson
 Katrina L. Salazar, CPA
 Kathleen Wright, CPA

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Christopher Castrillo, DCA, Deputy Director, Office of Board and Bureau Services
Rich Andres, Information Technology Staff
Elina Asrian, Enforcement Analyst
Aaron Bone, Information and Planning Officer
Ileana Butu, Legal Counsel, Department of Consumer Affairs (DCA)
Angela Contreras, Executive Assistant
Liz Contreras, Disciplinary Technician
Emmanuel Estacio, Information Technology Staff
Paul Fisher, Enforcement Supervising Investigative CPA
Dominic Franzella, Chief, Enforcement Division
Cindi Fuller, Licensing Manager
Alegra Keith, Executive Secretary
Nooshin Movassaghi, Legislative Analyst
Allison O'Connor, Enforcement Analyst
Rebecca Reed, Board Relations Analyst
Corey Riordan, Enforcement Manager
Siek Run, Enforcement Analyst
Gina Sanchez, Chief, Licensing Division
Ben Simcox, CPA, Enforcement Deputy Chief
Carl Sonne, Deputy Attorney General, Department of Justice
Ryan Wheeler, Enforcement Analyst

Other Participants

Dean Andal, The Accountants Coalition
David Evans, CPA, Chair, Qualifications Committee
Jason Fox, California Society of CPAs
JoAnn Henkel
Roger S. Kent, National Society of Accountants
Larry O'Connor
Monica O'Connor
Pilar Oñate-Quintana, The Oñate Group
Joseph Rosenbaum, CPA, Chair, Enforcement Advisory Committee

- I. Approve Minutes of the September 14, 2017 CPC Meeting.

It was moved by Mr. Campos and seconded by Mr. Silverman to adopt the minutes of the September 14, 2017, CPC meeting.

Yes: Mr. Famalett, Mr. Campos, Mr. Jacobson, Mr. Savoy, and Mr. Silverman.

No: None.

Abstain: Ms. León and Ms. Park.

Absent: None.

The motion passed.

II. Discussion Regarding Whether to Allow Continuing Education Credit for Licensees Serving on the California Board of Accountancy or its Advisory Committees.

Ms. Sanchez stated that the purpose of this agenda item was to provide the CBA the opportunity to discuss allowing continuing education (CE) credit for licensees serving on the CBA or its advisory committees.

At the September 2017 CBA meeting, a CBA member requested this topic be presented for discussion. The CBA determined that the prevailing consideration in determining whether CE is acceptable is that it must be a formal program of learning that contributes directly to the professional competence of a licensee in public practice.

Ms. Sanchez outlined the relevant CBA Regulations sections to provide members with a context for considering granting CE credit. Furthermore, she provided an overview of the research of 15 other Department of Consumer Affairs boards and indicated that staff did not find any regulations allowing CE credit for their board or committee members.

Staff did not have a recommendation on this agenda item. The CPC discussed this topic and decided that it would not take any action on the matter.

III. Discussion and Possible Action to Make Nonsubstantive ("Section 100") Changes to the Forms Incorporated by Reference in Title 16, California Code of Regulations, Sections 9.1, 12, 12.1, 12.5, 15.1, 16, 19, 20, 43, 45, and 87.9, in Order to Update the California Board of Accountancy's Mailing Address.

Mr. Bone indicated that the purpose of this item was to provide the CBA an opportunity to consider taking action to amend several CBA Regulations sections, and update the corresponding CBA forms incorporated in those sections to reflect the CBA's current mailing address.

Because these changes were non-substantive, staff planned to use an expedited rulemaking process, known as a Section 100 change, which take effect 30 days following submission to the Office of Administrative Law. However, if this is denied, staff request the CBA authorize the Executive Officer to pursue the proposed changes through the regular rulemaking process.

It was moved by Mr. Campos and seconded by Ms. León to recommend the following motion to the CBA:

- **Approve the regulatory text and forms in CBA Regulation sections 9.1, 12, 12.1, 12.5, 15.1, 16, 19, 20, 43, 45, and 87.9 and authorize the Executive Officer to initiate the formal rulemaking process for a Section 100 change,**

including submitting the text and form changes to the Director of the Department of Consumer Affairs (DCA) and the Business Consumer Services and Housing Agency (BCSH) for review; and

- If no adverse comments are received, submit the Section 100 change to OAL.
- If OAL does not approve the Section 100 change, direct staff to submit the text and form changes to the Director of DCA, and BCSH for review; and
- If no adverse comments are received, authorize the Executive Officer to make any non-substantive changes to the package, take all steps necessary to initiate the regular rulemaking process and set the matter for hearing.

Yes: Mr. Famalett, Mr. Campos, Mr. Jacobson, Ms. León, Ms. Park, Mr. Savoy, and Mr. Silverman.

No: None.

Abstain: None.

Absent: None.

The motion passed.

IV. Public Comments.

No public comments were received.

V. Agenda Items for Next Meeting.

None.

There being no further business, the meeting was adjourned at 9:51 a.m.



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CBA Item IX.D.
 January 18, 2018

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
May 5, 2017
PEER REVIEW OVERSIGHT COMMITTEE (PROC) MEETING

Marriott Burbank Airport Hotel
 2500 North Hollywood Way
 Burbank, CA 91505
 Telephone: (818) 483-6000

I. Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks.

Jeffrey De Lyser, CPA, PROC Chair, called the meeting of the PROC to order at 10:00 a.m. on Friday, May 5, 2017. The meeting adjourned at 11:55 a.m.

Mr. De Lyser read the following into the record:

“The CBA’s mission is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

This mission is derived from the statutory requirement that protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.”

Members

Jeffrey De Lyser, CPA, Chair	10:00 a.m. – 11:55 a.m.
Kevin Harper, CPA, Vice-Chair	10:00 a.m. – 11:55 a.m.
Nancy Corrigan, CPA	10:00 a.m. – 11:55 a.m.
Renee Graves, CPA	10:00 a.m. – 11:55 a.m.
Robert Lee, CPA	10:00 a.m. – 11:55 a.m.
Sherry McCoy, CPA	10:00 a.m. – 11:55 a.m.
Sharon Selleck, CPA	10:00 a.m. – 11:55 a.m.

CBA Member

Sunny Youngsun Park, Esq., CBA Member Liaison

CBA Staff

Patti Bowers, Executive Officer

Dominic Franzella, Chief, Enforcement Division

Ben Simcox, CPA, Deputy Chief, Enforcement Division

Kari O'Connor, Enforcement Manager

Siek Run, Enforcement Analyst

Other Participants

Linda McCrone, CPA, California Society of Certified Public Accountants (CalCPA)

II. Report of the Committee Chair.

Mr. De Lyser introduced the newly appointed California Board of Accountancy (CBA) Southern California PROC liaison, Ms. Park.

Mr. De Lyser introduced the new CBA appointed PROC member, Ms. Sharon Selleck to the committee.

A. Approval of the February 3, 2017 PROC Meeting Minutes.

Mr. De Lyser requested members to review and provide feedback or edits to the February 3, 2017 PROC Meeting Minutes.

Mr. De Lyser requested correction to the spelling of his name.

It was moved by Mr. Harper and seconded by Ms. Graves to approve the meeting minutes as corrected.

Yes: Ms. McCoy, Ms. Corrigan, Mr. De Lyser, Mr. Harper, and Ms. Graves

No: None.

Abstain: Mr. Lee and Ms. Selleck.

The motion passed.

B. Report on the March 23-24, 2017, California Board of Accountancy Meeting.

Ms. Park introduced herself to the PROC and provided a summary of the March 23-24, 2017 CBA Meeting. She highlighted topics discussed during the meeting including approval of the appointments of new liaisons to the PROC, the CBA's decision to monitor referrals from the Department of Labor, a legal update on the California Supreme Court case decision regarding the Public Records Act, and approval of the PROC 2016 Annual Report.

- C. Discussion of Emerging Issues and/or National Standards Regarding the Peer Review Program Impacting California.

No report.

III. Report on Peer Review Oversight Committee Oversight Activities Conducted since February 3, 2017.

- A. Report on the February 23, 2017 California Society of Certified Public Accountants Review Acceptance Board Meeting.

Ms. Corrigan reported on this item. She reported to have observed the Report Acceptance Body (RAB) meeting, which included 27 engagements and 15 system reviews, a total of 42 reviews. She further noted that the meeting was very proficient and was conducted professionally.

- B. Report on the March 20, 2017 American Institute of Certified Public Accountants Training on the Peer Review Integrated Management Application Computer Database.

Mr. De Lyser reported on this item. He provided an overview of the American Institute of Certified Public Accountants' (AICPA) webcast training on the Peer Review Integrated Management Application (PRIMA). He highlighted significant changes with the new PRIMA system and how its conversion to a web-based interface affects the peer review process.

- C. Report on the March 22, 2017 California Society of Certified Public Accountants Review Acceptance Board Meeting.

Ms. Graves provided an overview of this agenda item. She reported to have observed 42 reviews at the meeting.

- D. Report on the April 20, 2017 California Society of Certified Public Accountants Review Acceptance Board Meeting.

Mr. Lee reported on this agenda item. He noted that the meeting covered many items. He felt there were great discussions and that all members were knowledgeable.

- E. Report on the April 24, 2017 California Society of Certified Public Accountants Training; Auditing, Assurance & Employee Benefit Plans Conference.

Mr. De Lyser presented on this agenda item and provided a brief overview of the webcast training. He noted that the instructor of the course, Marcia Hein was very knowledgeable and felt he walked away with new information that would help all peer reviewers with attest work. He explained that peer reviewers are now required to update their continuing education relating to government audits annually.

Mr. De Lyser suggested that the PROC invite Ms. Hein to present on the peer review program as part of the on-boarding process for future appointed PROC members.

- F. Report on Notices Posted on the American Institute of Certified Public Accountants' and National Association of State Boards of Accountancy's Websites Regarding Changes and Updates to the Peer Review Program.

Ms. Graves presented this agenda item. She noted that the National Association of State Boards of Accountancy (NASBA) website did not have new updates relating to peer review. She explained that the AICPA website had updates for February, March, and April 2017 relating to; Statements on Standards for Accounting and Review Services 23, the Peer Review Manual and Tool Kit, and the Government Audit Engagement Checklist.

Ms. Selleck inquired if the PROC was aware of complaints from peer reviewers regarding checklists not being current. Ms. McCrone informed the committee that checklists are updated annually.

- G. Discussion on the Summary of Peer Reviewer Training Courses Checklist (**Ben Simcox, Deputy Chief, Enforcement Division**).

Mr. De Lyser introduced this agenda item and asked the committee to review and provide comments. The PROC discussed the Summary of Peer Reviewer Training Courses Checklist presented and provided edit suggestions relating to continuing education requirements for peer reviewers as they have changed and language clarifications where needed.

It was moved by Mr. Lee and seconded by Mr. Harper to approve the Summary of the Peer Reviewer Training Checklist with corrections.

Yes: Mr. Lee, Ms. McCoy, Ms. Selleck, Ms. Corrigan, Mr. De Lyser, Mr. Harper, and Ms. Graves.

No: None.

Abstain: None.

The motion passed.

- H. Assignment of Future Peer Review Oversight Committee Oversight Roles, Responsibilities, Activities, and Assignments (**Siek Run, Enforcement Analyst**).

Ms. Run presented this agenda item and highlighted new 2017 PROC oversight activities. Mr. De Lyser requested member participation in accepting new assignments for upcoming PROC oversight activities.

CalCPA Administrative Site Visit Activity:

- May 2017 PROC members assigned for 2017 – Ms. Graves and Mr. De Lyser (In-person, San Mateo)

CBA Meeting(s):

- May 18-19, 2017 – Mr. De Lyser (In-person, Los Angeles)
- July 20-21, 2017 – Mr. De Lyser (In-person, Sacramento)

NASBA CAC:

- May 19, 2017 – Mr. De Lyser (Call)

CalCPA Peer Review Committee Meeting:

- May 25-26, 2017 – Mr. Harper (In-person, Laguna Niguel)

CalCPA RAB Meeting(s):

- June 20, 2017 – Ms. Selleck (In-person)

AICPA Peer Review Board Meeting:

- August 17, 2017 – Mr. Harper (Call)

IV. Report of the Enforcement Chief.

A. Discussion Regarding the American Institute of Certified Public Accountants' January 2017 Peer Review Administration White Paper on the Evolution of Peer Review.

Mr. Franzella presented this agenda item. He provided a brief background of the different iterations of the AICPA's paper, *Proposed Evolution of Peer Review Administration* (Paper) and the PROC's initial response via a comment letter in September 2016 in support of AICPA's proposals with concerns regarding the peer reviewer population and cost of peer review.

Mr. Franzella reported that in light of the additional information identified at the NASBA Executive Directors Conference on March 14-16, 2017, it was determined that the PROC would revisit the AICPA's paper on the Peer Review Administration and with the comment letters from NASBA and other state societies to determine if there is any additional information that may impact the CBA's Peer Review Program.

The PROC discussed the NASBA comment letter and three additional state society's comment letters and determined the newly presented information would not impact or change the PROC's prior recommendation to the CBA, to

support those efforts undertaken to enhance the effectiveness of peer reviews, including concerns that aligned with NASBA.

B. Discussion and Action on Proposed Peer Review Oversight Committee Letter to California Society of Certified Public Accountants Regarding Peer Reviewer Population Statistics.

Mr. Franzella presented this agenda item. He briefly reminded the PROC of a decision made at its December 2016 meeting, to write a letter to CalCPA, requesting statistics on the peer reviewer population. Mr. Franzella then proceeded to present the PROC with a draft letter to CalCPA and AICPA, briefly summarized the context within the letter, which specifically requested peer reviewer population statistics.

The PROC discussed the potentially negative impact a decrease in peer reviewer population would have on the CBA and licensee's ability to renew their license. The PROC noted that a decrease in the peer reviewer population would create a barrier for licensees to timely find peer reviewers, complete the required peer review, and potentially affecting the CBA's ability to process license renewal applications.

The PROC discussed the letter and provided clarifying edits to determine if AICPA had existing protocols in-place to track statistics on the peer reviewer population.

During the discussion, Ms. McCrone explained that the CalCPA did not have access to the requested statistics. She further noted that AICPA may not have specific statistics relating to the peer reviewer population.

It was moved by Ms. Graves and seconded by Ms. Corrigan to accept the PROC letter to CalCPA and AICPA with the edits discussed and to delegate the PROC Chair to work with staff on additional edits as needed.

Yes: Mr. Lee, Ms. McCoy, Ms. Selleck, Ms. Corrigan, Mr. De Lyser, Mr. Harper, and Ms. Graves.

No: None.

Abstain: None.

The motion passed.

C. Discussion Regarding Data Compiled on Peer Review-Related Statistics.

Mr. Franzella presented this agenda item. He discussed that staff had originally presented similar statistics at the December 2016 PROC meeting and received feedback from the PROC to redraft and include annual trends. He further noted that the report presented provides a timeframe, data source, availabilities of

statistics, and requested that the PROC clarify the frequency they wish to review the statistics.

The PROC discussed discrepancies between the number of reviews accepted and review types provided within the report. The PROC received clarification from Ms. McCrone, noting that the discrepancies are associated with licensees' ability to opt out from disclosing their peer review report ratings.

The PROC also discussed next steps and actions to take to obtain relevant statistics to effectively oversight the peer review program.

The PROC requested staff to remove statistics on CPAs dropped from the peer review program and to only report on the numbers of CPAs terminated from the peer review program. The PROC asked that staff provide statistical updates twice annually, once prior to the administrative site visit to CalCPA and a final report to consider for the PROC annual report.

V. Closing Business.

A. Public Comments for Items Not on the Agenda.

None.

B. Agenda Items for Future Peer Review Oversight Committee Meetings.

Mr. Harper inquired about tools to help onboard new PROC members in the near future. Mr. Franzella explained that staff are working on updating the PROC Procedures Manual and will initiate a peer review program flow-chart to be used by both committee members and consumers.

VI. Adjournment.

Having no further business to conduct, Mr. De Lyser adjourned the meeting at 11:55 a.m. on Friday, May 5, 2017.

Jeffrey De Lyser, CPA, Chair

Siek Run, Enforcement Analyst, prepared the PROC meeting minutes. If you have any questions, please call (916) 561-4366.



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CBA Item X.B.2.

January 18, 2018

Discussion and Possible Ratification of Staff Responses to the National Association of State Boards of Accountancy's Focus Questions Regarding Continuing Professional Education of the Accounting Profession in California

Presented by: Rebecca Reed, Board Relations Analyst

Purpose of the Item

The purpose of this agenda item is to present the California Board of Accountancy's (CBA) responses to the National Association of State Boards of Accountancy (NASBA) Regional Director's Focus Questions.

Consumer Protection Objectives

NASBA assists the CBA with achieving its mission to protect consumers, by creating a forum for state boards of accountancy to discuss relevant issues, ideas, and opinions, which creates consistency and uniformity amongst state boards of accountancy.

Action(s) Needed

No specific action is required on this agenda item, unless the CBA would like additional information provided to NASBA on the questions.

Background

Staff has been informed that the Focus Questions are used to help NASBA regional directors stay apprised of each state's policies and procedures and to see where improvements or adjustments might be made. The eight regional directors review the states' answers and then present their findings to NASBA.

Comments

The responses to the NASBA Focus Questions (**Attachment**) were prepared by CBA staff from the Enforcement, Licensing, and Administration Divisions. Due to the date that the focus questions were due, staff provided NASBA with the answers to the focus questions on December 18, 2017.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Discussion and Possible Ratification of Staff Responses to the National Association of State Boards of Accountancy's Focus Questions Regarding Continuing Professional Education of the Accounting Profession in California
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Recommendation

Staff do not have a recommendation on this agenda item.

Attachment

NASBA Focus Questions

FOCUS QUESTIONS

Attachment

November 2017 NASBA REGIONAL DIRECTORS' FOCUS QUESTIONS

Name of the person submitting form on behalf of the Board of Accountancy:

Aaron Bone

Jurisdiction State:

California

Email address of person submitting form on behalf of the Board of Accountancy:

aaron.bone@cba.ca.gov

Phone:

(916) 561-1792

1. (a) Will your state be considering the new CPE rule?

☒ Yes.

☐ No.

(b) Do you accept Nano Learning?

☐ Already accept.

☒ Will Discuss.

☐ Neither.

(c) Credit for Participating in a technical committee?

☐ Already accept.

☐ Will discuss.

☒ Neither.

(d) All programs offered by your State CPA Society?

☐ Already accept.

☐ Will discuss.

☒ Neither.

(e) Blended learning?

FOCUS QUESTIONS

November 2017 NASBA REGIONAL DIRECTORS' FOCUS QUESTIONS

- ☐ Already accept.
- ☒ Will discuss.
- ☐ Neither.

(f) Require 50 percent of CPE be in technical subjects?

- ☒ Already accept.
- ☐ Will discuss.
- ☐ Neither.

2. Would your board be interested in NASBA providing education and training on data analytics, artificial intelligence, blockchain, and other advanced technologies?

- ☐ Yes.
- ☐ No.
- ☒ Undecided.

3. What is happening in your jurisdiction that is important for other State Boards and NASBA to know about?

CPAs who perform preparation engagements as their highest level of service are subject to a new continuing education (CE) requirement. Effective October 1, 2017, if preparation engagements are the highest level of service performed, as part of the required 80 hours of CE, the licensee must complete eight hours of preparation engagement or accounting and auditing CE and four hours of CE specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements. Additionally, a licensee whose highest level of service performed is preparation engagements is not subject to undergo a peer review.

In November 2017, the CBA approved its statutorily required report to the California State Legislature and California Department of Consumer Affairs regarding its no-notice, no-fee practice privilege program. This program is currently scheduled to expire on January 1, 2019, unless legislation is approved by the legislature and signed into law by the Governor.

Also in November 2017, the CBA elected new leadership for the next 12 months:

FOCUS QUESTIONS

November 2017 NASBA REGIONAL DIRECTORS' FOCUS QUESTIONS

President: Michael M. Savoy, CPA
Vice-President: George Famalett, CPA
Secretary/Treasurer: Mark J. Silverman, Esq.

Last year, legislation was introduced (Senate Bill 795 – Galgiani) to make this program permanent. This bill may be considered by the legislature in January 2018.

4. Can NASBA be of any assistance to your Board at this time?

- ☐ No.
- ☒ Yes. Please explain below.

NASBA can inform other state boards of our new CE requirement by referring them to our website. To view the new regulation and action taken by the CBA, please visit the CBA website at <http://www.dca.ca.gov/cba/about-cba/ce-prep.pdf>. If you have any questions regarding the preparation engagement CE requirement, please contact the License Renewal and Continuing Competency Unit by telephone at (916) 561-1702 or by email at renewalinfo@cba.ca.gov.

5. NASBA's Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.

- ☐ Input only from Board Chair.
- ☒ Input only from Executive Director.
- ☐ Input only from Board Chair and Executive Director.
- ☐ Input from all Board Members and Executive Director.
- ☐ Input from some Board Members and Executive Director.
- ☐ Input from all Board Members.
- ☐ Input from some Board Members.
- ☐ Other (please explain).